

PLAINS ALL AMERICAN PIPELINE LP
Form 10-Q
August 08, 2013
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

Commission file number: 1-14569

PLAINS ALL AMERICAN PIPELINE, L.P.

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

76-0582150

(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 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). 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. (Check one):

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 July 31, 2013, there were 342,735,916 Common Units outstanding.

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social attitudes regarding the utility and power industries;

cost and other effects of legal and administrative proceedings, settlements, investigations and claims;

technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;

risks associated with implementations of new technologies; and

other business or investment considerations that may be disclosed from time to time in our SEC filings or in other publicly disseminated written documents.

You are cautioned not to rely unduly on any forward-looking statements. These risks and uncertainties associated with forward-looking statements are discussed in detail under *Risk Factors*, *Business*, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Notes to Consolidated Financial Statements* in our Annual Report on Form 10-K for the year ended December 31, 2017 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018, and in other documents on file with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus. You may obtain copies of these documents as described in the accompanying prospectus under the caption *Where You Can Find More Information*.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exhaustive.

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PROSPECTUS SUMMARY

*The following information supplements, and should be read together with, the information contained or incorporated by reference in other parts of this prospectus supplement and the accompanying prospectus. This summary highlights selected information from this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information you should consider before investing in our common stock. You should carefully read this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, which are described under the caption *Where You Can Find More Information* in the accompanying prospectus. In this prospectus supplement, except as otherwise indicated or as the context otherwise requires, the Company, we, us and our refer to Xcel Energy Inc., a Minnesota corporation.*

The Company

We are a public utility holding company with four utility subsidiaries: (i) Northern States Power Company, a Minnesota corporation, which provides electric utility service to approximately 1.5 million customers in Minnesota, North Dakota and South Dakota and natural gas utility service to approximately 0.5 million customers in Minnesota and North Dakota; (ii) Northern States Power Company, a Wisconsin corporation, which provides electric utility service to approximately 259,000 customers and natural gas utility service to approximately 114,000 customers in northwestern Wisconsin and the western portion of the Upper Peninsula of Michigan; (iii) Public Service Company of Colorado, a Colorado corporation, which provides electric utility service to approximately 1.5 million customers and natural gas utility service to approximately 1.4 million customers in Colorado; and (iv) Southwestern Public Service Company, a New Mexico corporation, which provides electric utility service to approximately 390,000 retail customers in Texas and New Mexico.

We were incorporated in 1909 under the laws of Minnesota. Our principal executive offices are located at 414 Nicollet Mall, Minneapolis, Minnesota 55401, and our telephone number at that location is (612) 330-5500. Our web site is www.xcelenergy.com. Except for documents incorporated by reference into this prospectus supplement and the accompanying prospectus, no information contained in, or that can be accessed through, our web site is to be considered as part of this prospectus supplement or the accompanying prospectus.

Table of Contents**The Offering**

The following summary contains basic information about this offering. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus, including Description of Common Stock in the accompanying prospectus, and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Issuer	Xcel Energy Inc.
Common stock offered by this prospectus supplement	\$400,000,000 of shares (\$460,000,000 of shares if the underwriters option to purchase additional shares of our common stock is exercised in full).
Common stock to be outstanding immediately before this offering	514,023,364 shares. ⁽¹⁾
Common stock to be outstanding immediately after the offering	514,023,364 shares. ⁽¹⁾⁽²⁾
Common stock to be outstanding after settlement of the forward sale agreement assuming physical settlement	522,163,372 shares (523,384,373 shares if the underwriters option to purchase additional shares of our common stock is exercised in full). ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

- (1) This amount is based on the total number of shares of our common stock that was outstanding on October 31, 2018. In calculating that number of shares, we did not take into account shares reserved for future issuance upon satisfaction of performance targets under, or other settlement of, outstanding equity compensation awards or other stock compensation plans or share issued under our dividend reinvestment plan.
- (2) Such number of shares of our common stock assumes that we will not be required to issue the shares of our common stock that are the subject of this offering in lieu of the forward seller borrowing and selling such shares to the underwriters as further described elsewhere in this prospectus supplement. For more information, see Underwriting (Conflicts of Interest).
- (3) The forward seller has advised us that it intends to acquire shares of our common stock to be sold in this offering through borrowings from third-party stock lenders. Subject to the occurrence of certain events, we will not be obligated to deliver shares of our common stock under the forward sale agreement (if at all) until later settlement of the forward sale agreement, which provides for settlement on a settlement date or dates to be specified at our discretion on or prior to February , 2020. Except in certain circumstances, we have the right to elect cash settlement or net share settlement under the forward sale agreement. Although we intend to elect full physical settlement under the forward sale agreement, if we elect cash settlement we will not issue any shares and if we elect net share settlement, the number of shares we issue upon settlement of the forward sale agreement may be

substantially less than the amount we would have issued upon full physical settlement, or we may not issue any shares upon such net share settlement at all. See Underwriting (Conflicts of Interest) Forward Sale Agreement for a description of the forward sale agreement.

- (4) The number of shares of our common stock to be outstanding immediately after this offering, assuming full physical settlement of the forward sale agreement, assumes that we will receive total proceeds of \$400,000,000 from the sale of shares of our common stock pursuant to the forward sale agreement, that the forward sale price will be \$49.14 per share of our common stock, which is equal to the last reported sale price of our common stock on November 6, 2018, and that we will receive an additional \$60,000,000 of proceeds pursuant to an additional forward sale agreement if the underwriters' option to purchase additional shares of our common stock is exercised in full assuming a forward sale price of \$49.14 per share of our common stock (in each case before deducting expenses). In addition, such number of shares of our common stock assumes that we will not be required to issue the shares of our common stock that are the subject of this offering in lieu of the forward seller borrowing and selling such shares to the underwriters as further described elsewhere in this prospectus supplement. A \$40 million increase (decrease) in the assumed total proceeds we receive from the sale of shares of our common stock pursuant to the forward sale agreement (or a \$46 million increase (decrease) in the assumed total proceeds we receive from the sale of shares of our common stock if the underwriters' option to purchase additional shares of our common stock is exercised in full) would increase (decrease) the number of shares of common stock to be outstanding immediately after this offering, assuming full physical settlement of the forward sale agreement, by approximately 814,000 shares (or approximately 936,101 shares if the underwriters' option to purchase additional shares of our common stock is exercised in full), assuming no change in the assumed forward sale price. A \$1.00 increase (decrease) in the assumed forward sale price of our common stock would result in an approximately 162,347 share decrease or an approximately 169,090 share increase, respectively, in the number of shares of our common stock to be outstanding immediately after this offering, assuming full physical settlement of the forward sale agreement (or an approximately 186,698 share decrease or an approximately 194,454 share increase, respectively, if the underwriters' option to purchase additional shares of our common stock is exercised in full), assuming no change in the assumed total proceeds we receive from the sale of shares pursuant to the forward sale agreement or the additional forward sale agreement if the underwriters' option is exercised in full.

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Use of Proceeds

We will not initially receive any proceeds from the sale of shares of our common stock offered by the forward seller in this offering unless (i) an event occurs that requires us to sell such shares to the underwriters in lieu of the forward seller selling such shares to the underwriters as further described elsewhere in this prospectus supplement or (ii) the underwriters exercise their option to purchase additional shares of our common stock, in whole or in part, and we elect to issue and sell the shares of our common stock covered by such option directly to the underwriters rather than requiring the forward seller to borrow and deliver such shares to the underwriters pursuant to an additional forward sale agreement.

We estimate that the net proceeds to us from the sale of shares of our common stock in connection with this offering and pursuant to the forward sale agreement will be approximately \$ (or approximately \$ if the underwriters exercise their option in full and we elect to have the forward seller borrow and deliver such shares to the underwriters), subject to certain adjustments pursuant to the forward sale agreement and assuming full physical settlement of the forward sale agreement based on the initial forward sale price of \$ per share. We will not receive any proceeds under the forward sale agreement on the closing date of this offering. The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion on or prior to February , 2020.

The forward sale price that we expect to receive upon physical settlement of the forward sale agreement is subject to adjustment pursuant to the forward sale agreement, and the actual proceeds are subject to settlement of the forward sale agreement. If the overnight bank funding rate decreases substantially prior to the settlement of the forward sale agreement, we may receive less than the initial forward sale price per share upon physical settlement of the forward sale agreement. Although we expect to settle the forward sale agreement entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreement. If we elect to cash settle the forward sale agreement in full, we would expect to receive an amount of net proceeds that is significantly lower than the estimate set forth above, and we may not receive any net proceeds (or we may owe cash, which could be a significant amount, to the forward purchaser). If we elect to net share settle the forward sale agreement in full, we would not receive any cash proceeds from the forward purchaser (and we may be required to deliver shares of our common stock to the forward purchaser). The forward sale agreement also is subject to acceleration by the forward purchaser upon the occurrence of certain events. See Underwriting (Conflicts of Interest) Forward Sale Agreement for a

description of the forward sale agreement.

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We intend to use the net proceeds that we receive from the sale of shares of our common stock pursuant to the forward sale agreement and, if applicable, upon any exercise by the underwriters of their option to purchase additional shares of our common stock, for general corporate purposes, which may include capital contributions to our utility subsidiaries, acquisitions, and/or, repayment of commercial paper, outstanding loans under our revolving credit facility or other debt.

Listing

Our common stock is listed on the Nasdaq Stock Market LLC, or the Nasdaq, under the symbol XEL.

Dividend Policy

We expect to pay dividends on our common stock in amounts determined from time to time by our board of directors. Future dividend levels will be dependent on our results of operations, financial position, cash flows and other factors.

Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders

Certain United States federal income tax considerations of the acquisition, ownership and disposition of our common stock for non-U.S. holders are described in Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders included elsewhere in this prospectus supplement.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is EQ Shareholder Services.

Accounting Treatment

Before the issuance of shares of our common stock, if any, upon settlement of the forward sale agreement, we expect that the shares issuable upon settlement of the forward sale agreement will be reflected in our diluted earnings per share calculation using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of common stock that would be issued upon full physical settlement of the forward sale agreement over the number of shares of common stock that could be purchased by us in the market (based on the average market price of our common stock during the applicable reporting period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is above the applicable adjusted forward sale price, which is initially \$ per share, subject to increase or decrease based on the overnight bank funding rate, less a spread, and subject to decrease by amounts related to expected dividends on shares of our common stock during the term of the

forward sale agreement. However, if we decide to physically settle or net share settle the forward sale agreement, delivery of our

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shares to the forward purchaser on any such physical settlement or net share settlement of the forward sale agreement would result in dilution to our earnings per share.

Conflicts of Interest

All of the proceeds of this offering (excluding proceeds to us with respect to any common stock that we may sell directly to the underwriters in lieu of the forward seller selling our common stock to the underwriters and, if the underwriters exercise their option to purchase additional shares of our common stock and we elect to issue the additional shares directly, the proceeds to us from the issuance of such additional shares) will be paid to Morgan Stanley & Co. LLC in its capacity as forward seller. As a result, Morgan Stanley & Co. LLC, or its affiliate, in its capacity as forward seller, will receive more than 5% of the net proceeds of this offering, not including underwriting compensation. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 (Public Offerings of Securities with Conflicts of Interest) of the Financial Industry Regulatory Authority, Inc. (FINRA). Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the shares of common stock have a bona fide public market (as such terms are defined in FINRA Rule 5121). In addition, Morgan Stanley & Co. LLC may not make sales in this offering to any discretionary account without the prior written approval of the customer.

Risk Factors

An investment in our common stock involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors on page S-8 of this prospectus supplement.

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RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the risks and uncertainties, as well as any cautionary language or other information, contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information under the caption "Item 1A Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, as modified by our quarterly reports on Form 10-Q and other SEC filings filed after such annual report, before investing in our common stock. Those risks are those that we consider to be the most significant to your decision whether to invest in our common stock. If any of the events described therein occurs, our business, financial condition or results of operations could be materially harmed. As a result, the trading price of our common stock could decline and you could lose all or part of your investment.

Settlement provisions contained in the forward sale agreement subject us to certain risks.

The forward purchaser will have the right to accelerate the forward sale agreement (or, in certain cases, the portion thereof that it determines is affected by the relevant event) and require us to physically settle the forward sale agreement on a date specified by the forward purchaser if:

in the good faith, commercially reasonable judgment of the forward purchaser, it or its affiliate is unable to hedge its exposure to the transactions contemplated by the forward sale agreement because of the lack of sufficient shares of our common stock being made available for borrowing by stock lenders or it or its affiliate is unable to borrow such number of shares at a rate equal to or less than an agreed maximum stock loan rate;

we declare any dividend or distribution on shares of our common stock payable in (i) cash in excess of a specified amount (other than an extraordinary dividend), (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment (cash or other consideration) at less than the prevailing market price, as reasonably determined by the forward purchaser;

certain ownership thresholds applicable to the forward purchaser are exceeded;

an event is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreement) including, among other things, certain mergers and tender offers, as well as certain events such as a delisting of our common stock (each as more fully described in the forward sale agreement);
or

certain other events of default or termination events occur, including, among other things, any material misrepresentation made by us in connection with our entry into the forward sale agreement, our bankruptcy (except as described below) or certain changes in law (each as more fully described in the forward sale agreement).

The forward purchaser's decision to exercise its right to accelerate the forward sale agreement (or, in certain cases, the portion thereof that it determines is affected by the relevant event) and to require us to settle the forward sale

agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the terms of the physical settlement provisions of the forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share and may adversely affect the market price of our common stock. In addition, upon certain events of bankruptcy or insolvency related to us, the forward sale agreement will automatically terminate without further liability of either party. Following any such termination, we would not issue any shares of common stock or receive any proceeds pursuant to the forward sale agreement.

The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion on or prior to February , 2020. The forward sale agreement will be physically settled, unless we elect to settle the forward sale agreement in cash or to net share settle the forward sale agreement. If we

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decide to physically settle or net share settle the forward sale agreement, delivery of shares of our common stock upon any physical settlement or net share settlement of the forward sale agreement will result in dilution to our earnings per share. If we elect cash or net share settlement for all or a portion of the shares of our common stock underlying the forward sale agreement, we would expect the forward purchaser or one of its affiliates to repurchase a number of shares of our common stock equal to the portion for which we elect cash or net share settlement in order to satisfy its obligation to return the shares of our common stock the forward purchaser had borrowed in connection with sales of our common stock under this prospectus supplement and, if applicable in connection with net share settlement, to deliver shares of our common stock to us. If the market value of our common stock at the time of the purchase is above the forward sale price at that time, we will pay or deliver, as the case may be, to the forward purchaser under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the market value of our common stock at the time of such purchase is below the forward sale price at that time, the forward purchaser will pay or deliver, as the case may be, to us under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. See **Underwriting (Conflicts of Interest) Forward Sale Agreement** for a description of the forward sale agreement.

The forward sale price that we expect to receive upon physical settlement of the forward sale agreement is subject to adjustment on a daily basis based on a floating interest rate factor equal to the overnight bank funding rate less a spread and will be decreased based on amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. If the overnight bank funding rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price for such day.

In addition, the purchase of shares of our common stock by the forward purchaser or its affiliate to unwind the forward purchaser's hedge position could cause the market price of our common stock to increase over time, thereby increasing the amount of cash we would owe to the forward purchaser upon a cash settlement or increasing the number of shares of our common stock we would owe to the forward purchaser upon a net share settlement, as the case may be, of the forward sale agreement, or decreasing the amount of cash that the forward purchaser would owe us upon a cash settlement or decreasing the number of shares of our common stock that the forward purchaser would owe us upon a net share settlement, as the case may be, of the forward sale agreement. We will not be able to control the manner in which the forward purchaser unwinds its hedge positions.

In certain bankruptcy or insolvency events, the forward sale agreement will automatically terminate, and we would not receive the expected proceeds from the forward sales of our common stock.

If we institute or consent to, or an appropriate regulatory or other authority institutes against us, a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or if we or such authority presents a petition for our winding up or liquidation or we consent to such a petition, the forward sale agreement will automatically terminate. If the forward sale agreement so terminates, we would not be obligated to deliver to the forward purchaser any shares of our common stock not previously delivered (or for which physical settlement has not been elected), and the forward purchaser would be discharged from its obligation to pay the forward sale price per share in respect of any shares of our common stock not previously settled (or for which physical settlement has not been elected). Therefore, to the extent there are any shares of our common stock with respect to which we have not elected to physically settle under the forward sale agreement at the time of the institution of or consent to any such bankruptcy or insolvency proceedings or any such petition, we would not receive the forward sale price per share in respect of those shares of our common stock.

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USE OF PROCEEDS

We will not initially receive any proceeds from the sale of the shares of our common stock offered by the forward seller in this offering, unless an event occurs that requires us to sell such shares to the underwriters in lieu of the forward seller selling such shares to the underwriters as further described elsewhere in this prospectus supplement, in which case we intend to use all net proceeds we receive from any such sales for the same purposes described below.

At an assumed initial forward sale price of \$ _____ per share (which is the price at which the underwriters have agreed to buy the shares of common stock offered hereby), we expect to receive net proceeds of approximately \$ _____ (or approximately \$ _____ if the underwriters' option to purchase additional shares of our common stock is exercised in full and we elect to have the forward seller borrow and deliver such shares to the underwriters), subject to the price adjustment and other provisions of the forward sale agreement, in the event of full physical settlement of the forward sale agreement, which we expect to occur on or prior to February _____, 2020. For purposes of calculating the proceeds to us upon settlement of the forward sale agreement, we have assumed that the forward sale agreement is physically settled based upon the assumed initial forward sale price of \$ _____ on the effective date of the forward sale agreement, which will be November _____, 2018. We will not receive any proceeds under the forward sale agreement on the closing date of this offering. The actual proceeds from the forward sales are subject to the final settlement of the forward sale agreement. The forward sale price that we expect to receive upon physical settlement of the forward sale agreement is subject to adjustment on a daily basis based on a floating interest rate factor equal to the overnight bank funding rate less a spread and will be decreased based on amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. If the overnight bank funding rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price for such day. See "Underwriting (Conflicts of Interest) Forward Sale Agreement" for a description of the forward sale agreement.

We currently intend to elect full physical settlement of the forward sale agreement and to use the net proceeds, if any, that we would receive upon settlement of the forward sale agreement and, if applicable, upon any exercise by the underwriters of their option to purchase additional shares of common stock for general corporate purposes, which may include capital contributions to our utility subsidiaries, acquisitions, and/or, repayment of commercial paper, outstanding loans under our revolving credit facility or other debt. If we elect to cash settle all or a portion of the forward sale agreement, we will not receive any proceeds from the sale of shares of our common stock related to such election of cash settlement of the forward sale agreement and we may either receive a cash payment from, or owe a cash payment to, the forward purchaser. If we elect to net share settle all or a portion of the forward sale agreement, we will not receive any proceeds from the sale of shares of our common stock related to such election, and we may either receive shares of our common stock from, or owe shares of our common stock to, the forward purchaser.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of certain U.S. federal income tax consequences relevant to the purchase, ownership and disposition of our common stock issued pursuant to this offering by Non-U.S. Holders (as defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated or proposed thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the IRS), in each case in effect as of the date of this prospectus supplement. These authorities are subject to change or differing interpretation, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought, and will not seek, any rulings from the IRS regarding the matters discussed below, and there can be no assurance that the IRS will not take a position contrary to those discussed below or that any position taken by the IRS would not be sustained.

This summary is applicable only to Non-U.S. Holders who purchase our common stock pursuant to this offering and who hold our common stock as a capital asset for U.S. federal income tax purposes (generally, property held for investment purposes). This summary also does not address any possible applicability of any U.S. federal tax other than the income tax (such as estate tax or gift tax), the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, the Medicare contribution tax imposed on net investment income, or the effects of Section 451 of the Code with respect to conforming the timing of income accrual to financial statements. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

banks, insurance companies or other financial institutions;

persons subject to the alternative minimum tax;

real estate investment trusts and regulated investment companies;

tax-exempt organizations;

pension funds;

brokers and dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of tax accounting for their securities holdings;

U.S. holders (as defined below) whose functional currency is not the U.S. dollar or who hold our common stock through a foreign entity or foreign account;

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controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid United States federal income tax;

persons who own, or are deemed to own, more than 5% of our company (except to the extent specifically set forth below);

persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;

persons that are partnerships (or other entities or arrangements classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or investors in such entities;

certain former citizens or long-term residents of the United States;

persons who hold our common stock as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction; and

persons deemed to sell our common stock under the constructive sale provisions of the Code.

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If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships considering an investment in our common stock, and partners in such partnerships, should consult their tax advisors regarding the purchase, ownership and disposition of our common stock.

THIS SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT LEGAL OR TAX ADVICE. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Non-U.S. Holder Defined

For purposes of this discussion, a **Non-U.S. Holder** is a beneficial owner of shares of common stock who is neither a **U.S. Person** (as defined below) nor an entity or arrangement classified as a partnership for U.S. federal income tax purposes. A **U.S. Person** is any person that, for United States federal income tax purposes, is or is treated as:

an individual citizen or resident of the United States;

a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons, as defined in the Code, have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

Distributions

Distributions we make with respect to our common stock (other than certain pro rata distributions of common stock) generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, as of the end of the taxable year of the distribution. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will first constitute a non-taxable return of capital, which reduces a Non-U.S. Holder's tax basis in its shares of our common stock (determined separately for each share), but not below zero, and thereafter will be treated as gain from the sale of stock.

Any dividend on our common stock paid to a Non-U.S. Holder generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividend, subject to any exemption or lower rate as may be specified by an applicable tax treaty, unless the dividends are effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States. The applicable withholding agent may withhold up to 30% of the gross amount of the entire distribution even if the amount of the distribution is greater than the amount constituting a dividend, as described above, to the extent provided for in the Treasury regulations. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then a Non-U.S. Holder may obtain a refund of any excess amounts withheld if it timely files an appropriate claim for refund with the IRS.

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In order to receive a reduced rate of or an exemption from withholding tax under an income tax treaty, a Non-U.S. Holder is required to satisfy certain certification requirements, which may be met by providing the applicable withholding agent with a properly completed IRS Form W-8BEN or IRS Form W-8BEN-E (or other appropriate version of IRS Form W-8), as applicable, certifying under penalty of perjury as to its qualification for the reduced rate or exemption. Special certification and other requirements apply to certain Non-U.S. Holders that are partnerships or other pass-through entities.

Dividends received by a Non-U.S. holder that are effectively connected with the holder's conduct of a trade or business within the United States generally will be exempt from withholding tax. In order to obtain this exemption, a Non-U.S. Holder must satisfy certain certification requirements, which may be met by providing the applicable withholding agent with a properly completed IRS Form W-8ECI certifying that the dividends are effectively connected with such Non-U.S. Holder's conduct of a trade or business within the United States. Such effectively connected dividends (which, if required by an applicable income tax treaty, are also attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States), are subject to U.S. federal income tax and are taxed at the same graduated rates applicable to United States persons (as defined in the Code), net of certain deductions and credits. In addition, if a Non-U.S. Holder is a corporation, such dividends received that are effectively connected with such holder's conduct of a trade or business within the United States may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

If a Non-U.S. Holder is eligible for a reduced rate of or an exemption from withholding tax pursuant to an income tax treaty, then such holder may obtain a refund of any excess amounts withheld if it timely file an appropriate claim for refund with the IRS.

Gain on the Sale or Other Taxable Disposition of Common Stock

Subject to the discussions regarding backup withholding and FATCA below, a Non-U.S. Holder generally will not be subject to United States federal income or withholding tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

that gain is effectively connected with the Non-U.S. holder's conduct of a United States trade or business;

the Non-U.S. Holder is a nonresident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or

our common stock constitutes a United States real property interest by reason of our status as a United States real property holding corporation for United States federal income tax purposes, which we refer to as a USRPHC, at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period for our common stock.

In general, a corporation is a USRPHC if the fair market value of its U.S. real property interests (as defined in the Code and applicable Treasury Regulations) equals or exceeds 50% of the sum of the fair market value of its worldwide (domestic and foreign) real property interests and its other assets used or held for use in a trade or business. We may currently be, have been in the past or may become in the future a USRPHC. Even if we are or become a USRPHC, however, so long as our common stock is regularly traded on an established securities market (within the

meaning of applicable Treasury regulations), our common stock will be treated as U.S. real property interests only for a Non-U.S. Holder who actually or constructively holds (at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period) more than 5% of such regularly traded stock.

A Non-U.S. Holder described in the first bullet above generally will be required to pay income tax on the net gain derived from the sale or disposition under regular graduated United States federal income tax rates, as if

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such holder were a United States person (as defined in the Code), except as otherwise provided by an applicable income tax treaty. In addition, corporate Non-U.S. Holders described in the first bullet above may be subject to an additional branch profits tax at a 30% rate, subject to any exemption or lower rate as may be specified by an applicable tax treaty.

A Non-U.S. Holder who is an individual described in the second bullet above will be subject to tax at a gross rate of 30% on the amount by which such holder's capital gains allocable to United States sources, including gain from the sale or other disposition of our common stock, exceed capital losses allocable to United States sources, except as otherwise provided in an applicable income tax treaty.

Information Reporting and Backup Withholding

We will, where required, report to the IRS and to Non-U.S. Holders, the amount of dividends paid, the name and address of the recipients, and the amount, if any, of tax withheld. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the Non-U.S. Holder's country of residence.

Payments of dividends made to a Non-U.S. Holder may be subject to backup withholding (currently at a rate of 24%) unless the Non-U.S. Holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or another appropriate version of IRS Form W-8), as applicable. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a United States person (as defined in the Code).

In addition, proceeds from the sale or other taxable disposition of our common stock outside the United States through a non-U.S. office of a non-U.S. broker generally will not be subject to the backup withholding and information reporting requirements. However, information reporting, but not backup withholding, generally will apply to a payment of sales proceeds, even if that payment is made outside the United States, if the Non-U.S. Holder sells or otherwise disposes of our common stock through a non-U.S. office of a broker that has specified types of connections with the United States, unless the broker has documentary evidence in its records that the holder is not a United States person and specified conditions are met, or the holder otherwise establishes an exemption. If a Non-U.S. Holder receives payments of the proceeds of a sale of our common stock to or through a U.S. office of a broker, the payment will be subject to both backup withholding and information reporting unless such holder properly provides an IRS Form W-8BEN or IRS Form W-8BEN-E (or other appropriate version of IRS Form W-8), as applicable, certifying that such holder is not a United States person or otherwise establishes an exemption, and the broker does not know or have reason to know that such holder is a United States person.

Backup withholding is not an additional tax. Amounts withheld from payments to a Non-U.S. Holder under the backup withholding rules will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

FATCA

Sections 1471 through 1474 of the Code and Treasury regulations thereunder, commonly referred to as FATCA, currently impose a U.S. federal withholding tax of 30% on dividends on, and, after December 31, 2018, on the gross proceeds from the sale or other disposition of our common stock paid to a foreign financial institution or a non-financial foreign entity (each as defined in the Code and whether received as a beneficial owner or as an intermediary for another party), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the

foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the

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diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. government requiring, among other things, that it undertakes to withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders (and certain equity and debt holders), and to annually identify accounts held by certain specified United States persons or United States-owned foreign entities (each as defined in the Code). Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes.

We will not pay any additional amounts with respect to any amounts withheld, including pursuant to FATCA. Prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

Table of Contents**UNDERWRITING (CONFLICTS OF INTEREST)**

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and the forward seller has agreed to sell to that underwriter, the number of shares of our common stock set forth in the following table opposite the underwriter's name.

Underwriters	Number of Shares
Morgan Stanley & Co. LLC	\$
Wells Fargo Securities, LLC	
Total	\$

The underwriting agreement provides that the obligations of the underwriters to purchase the shares of our common stock included in this offering are subject to approval of certain legal matters by counsel and to other customary conditions. The underwriters are obligated to purchase all of the shares of our common stock being offered pursuant to this prospectus supplement if they purchase any of such shares of our common stock. The offering of the shares of our common stock by the underwriters is subject to receipt and acceptance and to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer shares of our common stock from time to time for sale in one or more transactions on the Nasdaq, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices, subject to receipt and acceptance by the underwriters and subject to their right to reject any order in whole or in part. In connection with the sale of shares of our common stock, the underwriters may be deemed to have received compensation in the form of underwriting discounts. The underwriters may effect such transactions by selling shares of our common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or purchasers of shares of our common stock for whom they may act as an agent or to whom they may sell as principal. The difference between the price at which the underwriters purchase shares of our common stock and the price at which the underwriters resell such shares may be deemed underwriting compensation.

We estimate that the total expenses of this offering will be approximately \$650,000.

We have agreed to indemnify the underwriters, the forward purchaser and the forward seller against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters, the forward seller or the forward purchaser may be required to make in respect of those liabilities.

Forward Sale Agreement

We expect to enter into a forward sale agreement on the date of this prospectus supplement with the forward purchaser relating to _____ shares of our common stock. In connection with the execution of the forward sale agreement, and at our request, the forward seller is borrowing from third parties and selling in this offering _____ shares of our common stock.

If in the good faith, commercially reasonable judgment of the forward purchaser, it or its affiliate is unable to borrow, or it or its affiliate is unable to borrow at a stock loan rate not greater than a specified rate, and deliver for sale on the anticipated closing date, any shares of our common stock then the forward sale agreement will be terminated in its entirety. If in the good faith, commercially reasonable judgment of the forward purchaser, it or its affiliate is unable to borrow and deliver for sale on the anticipated closing date a number of shares of our common stock underlying the forward sale agreement, or it or its affiliate would be unable to borrow, at a stock

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loan rate not greater than a specified rate, and deliver for sale on the anticipated closing date such number of shares of our common stock, then we will issue and sell directly to the underwriters a number of shares of our common stock equal to the number of shares that the forward seller does not borrow and deliver, and the number of shares of our common stock to which the forward sale agreement relates will be reduced to the number that the forward seller can so borrow and deliver. In the event that the number of shares of our common stock to which the forward sale agreement relates is so reduced, the commitment of the underwriters to purchase shares of our common stock from the forward seller and the forward seller's obligation to borrow such shares for delivery and sale to the underwriters, as described above, will be replaced with the commitment to purchase from us and our corresponding obligation to issue directly to the underwriters all or such portion of the number of shares of our common stock not borrowed and delivered by the forward seller. In such event, we or the underwriters will have the right to postpone the closing date for up to two business days to effect any necessary changes to the documents or arrangements in connection with such closing.

We will receive an amount equal to the net proceeds from the sale of the borrowed shares of our common stock sold in this offering, subject to certain adjustments pursuant to the forward sale agreement, from the forward purchaser upon physical settlement of the forward sale agreement. We will only receive such proceeds if we elect to physically settle the forward sale agreement.

The forward sale agreement provides for settlement on a settlement date or dates to be specified at our discretion, but which we expect to occur on or prior to February , 2020. On a settlement date or dates, if we decide to physically settle the forward sale agreement, we will issue shares of our common stock to the forward purchaser at the then-applicable forward sale price. The forward sale price will initially be \$ per share, which is the price at which the underwriters have agreed to buy the shares of common stock offered hereby. The forward sale agreement provides that the initial forward sale price will be subject to adjustment based on a floating interest rate factor equal to the overnight bank funding rate less a spread, and will be subject to decrease on each of certain dates specified in the forward sale agreement by amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. If the overnight bank funding rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the overnight bank funding rate was greater than the spread, but we can give no assurance that the overnight bank funding rate will not decrease to a rate below the spread during the term of the forward sale agreement.

Before the issuance of shares of our common stock, if any, upon settlement of the forward sale agreement, we expect that the shares issuable upon settlement of the forward sale agreement will be reflected in our diluted earnings per share calculation using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon full physical settlement of the forward sale agreement over the number of shares of common stock that could be purchased by us in the market (based on the average market price of our common stock during the applicable reporting period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is above the applicable adjusted forward sale price, which is initially \$ per share, subject to increase or decrease based on the overnight bank funding rate, less a spread, and subject to decrease by amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement.

However, if we decide to physically settle or net share settle the forward sale agreement, delivery of shares of our common stock to the forward purchaser on any such physical settlement or net share settlement of the forward sale agreement would result in dilution to our earnings per share.

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The forward purchaser will have the right to accelerate the forward sale agreement (or, in certain cases, the portion thereof that it determines is affected by the relevant event) and require us to physically settle the forward sale agreement on a date specified by the forward purchaser if:

in the good faith, commercially reasonable judgment of the forward purchaser, it or its affiliate is unable to hedge its exposure to the transactions contemplated by the forward sale agreement because of the lack of sufficient shares of our common stock being made available for borrowing by stock lenders or it or its affiliate is unable to borrow such number of shares at a rate equal to or less than an agreed maximum stock loan rate;

we declare any dividend or distribution on shares of our common stock payable in (i) cash in excess of a specified amount (other than an extraordinary dividend), (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment (cash or other consideration) at less than the prevailing market price, as reasonably determined by the forward purchaser;

certain ownership thresholds applicable to the forward purchaser are exceeded;

an event is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreement) including, among other things, certain mergers and tender offers, as well as certain events such as a delisting of our common stock (each as more fully described in the forward sale agreement); or

certain other events of default or termination events occur, including, among other things, any material misrepresentation made by us in connection with our entry into the forward sale agreement, our bankruptcy (except as described below) or certain changes in law (each as more fully described in the forward sale agreement).

The forward purchaser's decision to exercise its right to accelerate the forward sale agreement (or, in certain cases, the portion thereof that it determines is affected by the relevant event) and to require us to settle the forward sale agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the terms of the physical settlement provisions of the forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share and may adversely affect the market price of our common stock. In addition, upon certain events of bankruptcy or insolvency related to us, the forward sale agreement will automatically terminate without further liability of either party. Following any such termination, we would not issue any shares of common stock or receive any proceeds pursuant to the forward sale agreement.

The forward sale agreement will be physically settled, unless we elect to settle the forward sale agreement in cash or to net share settle the forward sale agreement (which we have the right to do, subject to certain conditions, other than in the limited circumstances described above). If we decide to physically settle or net share settle the forward sale agreement, delivery of shares of our common stock upon any physical settlement or net share settlement of the forward sale agreement will result in dilution to our earnings per share. If we elect cash or net share settlement for all or a portion of the shares of our common stock underlying the forward sale agreement, we would expect the forward

purchaser or one of its affiliates to repurchase a number of shares of our common stock equal to the portion for which we elect cash or net share settlement in order to satisfy its obligation to return the shares of our common stock the forward purchaser had borrowed in connection with sales of our common stock under this prospectus supplement and, if applicable in connection with net share settlement, to deliver shares of our common stock to us. If the market value of our common stock at the time of such purchase is above the forward sale price at that time, we will pay or deliver, as the case may be, to the forward purchaser under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the market value of our common stock at the time of such purchase is below the forward sale price at that time, the forward purchaser will pay or deliver, as the case may be, to us under the forward sale agreement, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference.

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In addition, the purchase of shares of our common stock by the forward purchaser or its affiliate to unwind the forward purchaser's hedge position could cause the market price of our common stock to increase over time, thereby increasing the amount of cash we would owe to the forward purchaser upon a cash settlement or increasing the number of shares of our common stock we would owe to the forward purchaser upon a net share settlement, as the case may be, of the forward sale agreement, or decreasing the amount of cash that the forward purchaser would owe us upon a cash settlement or decreasing the number of shares of our common stock that the forward purchaser would owe us upon a net share settlement, as the case may be, of the forward sale agreement. We will not be able to control the manner in which the forward purchaser unwinds its hedge positions.

The foregoing is a description of certain provisions, and their anticipated effects, of the forward sale agreement we expect to enter into in connection with this offering, a copy of which is available upon request from us at the address set forth in the section of the accompanying prospectus entitled "Where You Can Find More Information." This description of certain terms of the forward sale agreement is not complete and is subject to, and qualified in its entirety by reference to, the provisions of that agreement.

Option to Purchase Additional Shares

We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an additional _____ shares of common stock at \$ _____ per share, subject to certain possible adjustments. The underwriters may exercise this option in whole or, from time to time, in part, through and including the 30th day after the date of this prospectus supplement. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the other shares are being offered.

If such option is exercised, we may, in our sole discretion, enter into an additional forward sale agreement with the forward purchaser in respect of the number of shares of our common stock that are subject to the exercise of such option. If such option is exercised and we elect not to enter into an additional forward sale agreement, we have agreed to issue and sell directly to the underwriters the number of shares of our common stock that are subject to the exercise of such option. If we enter into an additional forward sale agreement, and if in the good faith, commercially reasonable judgment of the forward purchaser, it or its affiliate is unable to borrow, or is unable to borrow at a stock loan rate not greater than a specified rate, and deliver for sale on the anticipated closing date for the exercise of such option, a number of shares of our common stock underlying such additional forward sale agreement, or if certain other conditions to the forward seller's obligations have not been satisfied, then we will issue and sell directly to the underwriters a number of shares of our common stock equal to the number of shares of our common stock that the forward seller does not borrow and deliver.

Listing

Our common stock is listed on the Nasdaq under the symbol XEL.

Electronic Prospectus Delivery

This prospectus supplement and the accompanying prospectus in electronic format may be made available on the website maintained by the underwriters. None of the other information appearing on or that can be accessed through websites maintained by the underwriters is a part of, or is incorporated by reference into, this prospectus supplement or the accompanying prospectus.

No Sales of Similar Securities

We have agreed that, without the prior written consent of the underwriters, we will not, during the period from and including the date of this prospectus supplement through and including the 60th day after the date of this prospectus supplement, (1) offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly,

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or file with the SEC a registration statement under the Securities Act relating to, any shares of common stock or securities convertible into or exchangeable for any shares of common stock, or (2) publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of the underwriters, the forward seller and the forward purchaser. The foregoing sentence shall not apply to:

(a) issuances pursuant to the exercise or conversion of stock options, restricted stock or restricted stock units, or performance shares or performance units or convertible notes outstanding on the date of this prospectus supplement, grants of employee stock options, restricted stock or restricted stock units, or performance shares or performance units pursuant to the terms of a plan in effect on the date of this prospectus supplement;

(b) issuances pursuant to the exercise or conversion of such stock options, restricted stock or restricted stock units, or performance shares or performance units, the filing of registration statements on Form S-8 and amendments thereto in connection with such stock options, restricted stock or restricted stock units, or performance shares or performance units or our employee stock purchase or other employee benefit plans (including the 401(k) plans) in existence on the date of this prospectus supplement;

(c) issuances pursuant to the dividend reinvestment and stock purchase plan in place on the date of this prospectus supplement;

(d) issuances pursuant to any dividend reinvestment and stock purchase plan that replaces our current dividend reinvestment and stock purchase plan;

(e) filing of registration statements on Form S-3 and amendments thereto in connection with such dividend reinvestment and stock purchase plans; and

(f) issuances of any shares of our common stock in accordance with this offering or pursuant to the forward sale agreement.

Our executive officers have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these officers have agreed that, without the prior written consent of the underwriters, such officer will not, during the period commencing on and including the date of such officer's lock-up agreement through and including the 60th day after the date of this prospectus supplement, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to transactions relating to:

(a) shares of common stock or other securities acquired in open market transactions after the completion of this offering, *provided* that no filing under Section 16(a) of the Securities and Exchange Act of 1934, as amended (the Exchange Act), shall be required or shall be voluntarily made in connection with subsequent sales of common stock or other securities acquired in such open market transactions,

(b) sales to us or withholding of shares of common stock in connection with the payment of the exercise price or withholding taxes, as the case may be, with respect to equity awards,

(c) a transfer upon such officer's death by gift, will or succession,

(d) a transfer pursuant to a qualified domestic relations order,

(e) transfers of shares of common stock or any security convertible into common stock as a transfer to donees who are bona fide charities or gifts; *provided* that any filing under Section 16(a) of the Exchange Act shall expressly state that such transfer is a transfer made to a bona fide charity or a gift,

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(f) distributions of shares of common stock or any security convertible into common stock to limited partners or stockholders of such officer; *provided* that (i) each donee or distributee shall sign and deliver to the underwriters a lock-up letter and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock, shall be required or shall be voluntarily made during the restricted period referred to in the foregoing sentence, or

(g) sales or other distributions of shares of common stock pursuant to a Rule 10b5-1 trading plan in existence on the date hereof, *provided* that if such sales are required to be reported on Form 4 pursuant to Section 16(a) of the Exchange Act during the lock-up period, or the undersigned voluntarily effects any public filing or report regarding such sales during the lock-up period, then the undersigned shall disclose in such filing or report that such sale was made pursuant to an existing Rule 10b-5-1 trading plan.

Price Stabilization and Short Positions

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than it is required to purchase in this offering, and purchasing shares of common stock in the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters' option to purchase additional shares referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising such option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through such option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, it will purchase shares in the open market to cover the position.

The underwriters have advised us that they may also impose penalty bids. This occurs when a particular underwriter is required to repay to the underwriting syndicate a portion of the underwriting discount received by such underwriter because the other underwriters have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. Neither we nor the underwriters make any representation that the underwriters will engage in any of the transactions described above and these transactions, if commenced, may be discontinued at any time without notice. Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock. If the underwriters commence these transactions, the underwriters may carry out these transactions on the Nasdaq, in the over-the-counter market or otherwise.

Other Relationships

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management,

investment research, principal investment, hedging, financing and brokerage activities. The underwriters and/or their affiliates have acted and/or are acting as lenders to, and/or have from time to time performed and/or are performing certain investment banking, advisory, general financing, and commercial

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banking and other commercial transactions and services for, us and/or our affiliates for which they have received and in the future may receive customary fees and expenses. The underwriters and their affiliates may, from time to time, engage in other transactions with or perform other services for us and our affiliates in the ordinary course of their business for which they receive customary fees and expenses. In addition, Morgan Stanley & Co. LLC, an underwriter in this offering, is acting as the forward purchaser and forward seller.

In addition, in the ordinary course of its business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours or our affiliates. If the underwriters or their affiliates have a lending relationship with us, the underwriters or their affiliates routinely hedge and their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which may consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the shares offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the securities offered in this offering. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Conflicts of Interest

All of the proceeds from the sale of shares of our common stock offered by the forward seller in this offering (excluding proceeds, if any, paid to us with respect to any shares of common stock that we may sell to the underwriters in lieu of the forward seller selling such shares) will be paid to the forward seller. Because Morgan Stanley & Co. LLC, in its capacity as forward seller, will receive more than 5% of the net proceeds of this offering, Morgan Stanley & Co. LLC is deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering, as the shares of common stock have a bona fide public market (as defined in FINRA Rule 5121). In addition, Morgan Stanley & Co. LLC may not make sales in this offering to any discretionary account without the prior written approval of the customer.

Selling Restrictions

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of our common stock, or the possession, circulation or distribution of this prospectus supplement or the accompanying prospectus or any other material relating to us or the shares of our common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of our common stock may not be offered or sold, directly or indirectly, and neither this prospectus supplement or the accompanying prospectus nor any other offering material or advertisements in connection with the shares of the common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common

stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

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(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive, or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EV), and includes any relevant implementing measure in the Relevant Member State.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this prospectus supplement and the accompanying prospectus are being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the FSMA) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the FSMA (all such persons together being referred to as relevant persons). This prospectus supplement and the accompanying prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus supplement and the accompanying prospectus relates is only available to, and will be engaged in with, relevant persons.

The underwriters have represented, warranted and agreed that:

(a) it has only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it or them in connection with the issue or sale of any shares of our common stock which are the subject of the offering contemplated by the prospectus supplement and the accompanying prospectus in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The shares of common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares of common stock must be

made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement or the accompanying prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the

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purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Hong Kong

The shares of our common stock have not been and may not and will not be offered or sold in Hong Kong, by means of any document other than (i) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong and which do not constitute an offer to the public within the meaning thereunder. No advertisement, invitation or document relating to the shares of our common stock has been, may be or will be issued, or has been, may be or will be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

The information and document are strictly confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by the recipient to any other person or used for any purpose in Hong Kong.

The contents of this prospectus supplement and the accompanying prospectus supplement have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Notice to Prospective Investors in Japan

This offering of the shares of our common stock has not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the Financial Instruments and Exchange Act) or any other laws, regulations or ministerial guidelines of Japan, and accordingly the shares of our common stock may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan and any branch or other office in Japan of a corporation or other entity organized under the laws of any foreign state), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Switzerland

The shares of our common stock may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this prospectus supplement, the accompanying prospectus nor any other offering or marketing

material relating to shares of our common stock constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in

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Switzerland, and neither this prospectus supplement, the accompanying prospectus nor any other offering or marketing material relating to shares of our common stock may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus supplement, the accompanying prospectus nor any other offering or marketing material relating to the offering, the Company or the shares of our common stock has been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus supplement and the accompanying prospectus will not be filed with, and the offer of shares of our common stock will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of shares of our common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the shares of our common stock.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, referred to as ASIC, in relation to the offering. This prospectus supplement and the accompanying prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, referred to as the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares of our common stock may only be made to persons, referred to as Exempt Investors, who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares of our common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of our common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring the shares of our common stock must observe such Australian on-sale restrictions.

This prospectus supplement and the accompanying prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement and the accompanying prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

LEGAL MATTERS

Certain legal matters in connection with this offering, including the legality of the common stock offered by this prospectus supplement, will be rendered by our counsel, Scott M. Wilensky, Minneapolis, Minnesota. In addition, certain other legal matters relating to this offering will be passed upon from time to time for us by Jones Day, Chicago, Illinois. Certain legal matters will be passed upon for the underwriters by Hunton Andrews Kurth LLP, New York, New York. Davis Polk & Wardwell LLP, New York, New York has advised the forward seller and forward

purchaser with respect to certain legal matters relating to the forward sale agreement. Scott M. Wilensky is our Executive Vice President and General Counsel and is the beneficial owner of less than 1% of our common stock.

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PROSPECTUS

Xcel Energy Inc.

414 Nicollet Mall

Minneapolis, Minnesota 55401

(612) 330-5500

Senior Debt Securities

Subordinated Debt Securities

Junior Subordinated Debt Securities

Common Stock

Preferred Stock

Depositary Shares

Warrants

Rights

Purchase Contracts

Units

We may offer and sell from time to time, in one or more offerings, together or separately, any combination of the securities listed above and described in this prospectus. We may offer and sell these securities to or through one or more underwriters, dealers and/or agents, or directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to the securities and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Our common stock trades on the Nasdaq Stock Market LLC under the symbol XEL.

You should carefully consider the risk factors set forth in the applicable prospectus supplement and certain of our filings with the Securities and Exchange Commission before making any decision to invest in any of the securities described in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 18, 2018.

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ABOUT THIS PROSPECTUS

This document is called a prospectus and it provides you with a general description of the securities we may offer. Each time we sell securities under this prospectus, we will provide a prospectus supplement containing specific information about the terms of the securities being offered. That prospectus supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The prospectus supplement may also add, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and in the prospectus supplement, you should rely on the information in the prospectus supplement. You should read this prospectus and the applicable prospectus supplement together with the additional information described under the caption *Where You Can Find More Information*. We may also prepare free writing prospectuses that describe particular securities. Any free writing prospectus should also be read in connection with this prospectus and with the prospectus supplement referred to therein. For purposes of this prospectus, any reference to an applicable prospectus supplement may also refer to a free writing prospectus, unless the context otherwise requires.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. By using this process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings. We may offer any of the following securities: senior debt securities, subordinated debt securities, or junior subordinated debt securities, each of which may be convertible into our common stock, common stock, preferred stock, depositary shares, warrants, rights, purchase contracts and units. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits and schedules we filed with the SEC. You should read the registration statement and the related exhibits and schedules for more information about us and our securities. The registration statement and the related exhibits and schedules can be read at the SEC's website or at the SEC's offices. The SEC's website and street addresses are provided under the caption *Where You Can Find More Information*.

The distribution of this prospectus and the applicable prospectus supplement and the offering of the securities in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus and the applicable prospectus supplement come should inform themselves about and observe any such restrictions. This prospectus and the applicable prospectus supplement do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offering or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This prospectus, the applicable prospectus supplement and any free writing prospectus that we prepare or authorize contain and incorporate by reference information that you should consider when making your investment decision. No one is authorized to provide you with information different from that which is contained, or deemed to be contained, in this prospectus and applicable prospectus supplement. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or the documents incorporated by reference is accurate as of any date other than the date on the front of those documents.

Unless otherwise specified or unless the context requires otherwise, all references in this prospectus to *Xcel Energy*, *we*, *us*, *our*, and *the Company* or similar terms refer to Xcel Energy Inc.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public on the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the year ended December 31, 2017 and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, from the date of the prospectus until we sell all of the securities (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules).

Our common stock is described under **Description of Common Stock** included herein.

We will provide, without charge, to each person, including any beneficial owner of our securities to whom this prospectus is delivered, upon written or oral request, a copy of any or all documents referred to above that have been incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You may request these documents from:

Attn: Corporate Secretary

Xcel Energy Inc.

414 Nicollet Mall

Minneapolis, MN 55401

(612) 330-5500

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OUR COMPANY

We are a public utility holding company with four utility subsidiaries: (i) Northern States Power Company, a Minnesota corporation, which provides electric utility service to approximately 1.5 million customers in Minnesota, North Dakota and South Dakota and natural gas utility service to approximately 0.5 million customers in Minnesota and North Dakota; (ii) Northern States Power Company, a Wisconsin corporation, which provides electric utility service to approximately 259,000 customers and natural gas utility service to approximately 114,000 customers in northwestern Wisconsin and the western portion of the Upper Peninsula of Michigan; (iii) Public Service Company of Colorado, a Colorado corporation, which provides electric utility service to approximately 1.5 million customers and natural gas utility service to approximately 1.4 million customers in Colorado; and (iv) Southwestern Public Service Company, a New Mexico corporation, which provides electric utility service to approximately 390,000 retail customers in Texas and New Mexico.

We were incorporated in 1909 under the laws of Minnesota. Our principal executive offices are located at 414 Nicollet Mall, Minneapolis, Minnesota 55401, and our telephone number at that location is (612) 330-5500. Our web site is www.xcelenergy.com. Except for documents incorporated by reference into this prospectus, no information contained in, or that can be accessed through, our web site is to be considered as part of this prospectus.

RISK FACTORS

Investing in our securities involves certain risks. You are urged to carefully read and consider the risk factors relating to an investment in our securities described in our annual, quarterly and current reports filed with the SEC under the Securities Exchange Act of 1934, as amended, which are incorporated by reference into this prospectus. Before making an investment decision, you should carefully consider these risks, as well as any other information that we include or incorporate by reference in this prospectus or any prospectus supplement. The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of additional risks applicable to an investment in our securities and the particular type of securities we are offering under that prospectus supplement.

USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, we intend to add the net proceeds from the sale of the securities described in this prospectus to our general funds and use those proceeds for general corporate purposes, which may include the funding of our operating units and subsidiaries, the repayment of indebtedness, working capital, capital expenditures and acquisitions. The specific allocation of the proceeds of a particular series of the securities will be described in the prospectus supplement.

**RATIO OF CONSOLIDATED EARNINGS TO CONSOLIDATED FIXED CHARGES AND RATIO OF
EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the ratio of our consolidated earnings to consolidated fixed charges for the periods indicated. As of the date of this prospectus, we have no preferred stock outstanding and accordingly, the ratio of consolidated earnings to combined fixed charges and preferred stock dividends is equal to the ratio of consolidated earnings to consolidated fixed charges and is not disclosed separately.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Ratio of consolidated earnings to consolidated fixed charges	3.3	3.3	3.2	3.3	3.1

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For purposes of computing the ratio of consolidated earnings to consolidated fixed charges, (1) earnings consist of pre-tax income from continuing operations before adjustment for income or loss from equity investees plus fixed charges and distributed income of equity investees; and (2) fixed charges consist of interest on long-term debt, other interest charges, the interest component on leases and amortization of debt discount, premium and expense.

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DESCRIPTION OF SENIOR DEBT SECURITIES

The description below contains summaries of selected provisions of the indenture, including supplemental indentures, under which the senior debt securities (referred to herein as **senior debt securities**) may be issued. These summaries are not complete. The indenture and the form of the supplemental indenture applicable to the senior debt securities have been filed as exhibits to the registration statement. You should read them for provisions that may be important to you. In the summaries below, we have included references to section numbers of the indenture so that you can easily locate these provisions.

We are not required to issue future issues of senior indebtedness under the senior indenture described in this prospectus. We are free to use other indentures or documentation, containing provisions different from those described in this prospectus, in connection with future issues of other senior indebtedness not under this registration statement.

The senior debt securities will be represented either by global senior debt securities registered in the name of The Depository Trust Company, or **DTC**, as depository, or **Depository**, or its nominee, or by securities in certificated form issued to the registered owners, as described in the applicable prospectus supplement. See the information under the heading **Book-Entry System** in this prospectus.

General

The senior debt securities will be issued in one or more new series under an indenture dated as of December 1, 2000 between us and Wells Fargo Bank, National Association, as trustee (the **Senior Debt Trustee**). This indenture, as previously supplemented by supplemental indentures and as may be supplemented by a new supplemental indenture for additional series of debt securities, is referred to in this prospectus as the **Senior Indenture**. As of December 31, 2017, there were seven series of senior debt securities in an aggregate principal amount of \$2.9 billion outstanding under the Senior Indenture.

The holders of the outstanding senior debt securities do not, and, unless the supplemental indenture that describes a particular series of senior debt securities provides otherwise with respect to that series, the holders of any senior debt securities offered by this prospectus will not, have the right to require us to repurchase the senior debt securities if we become involved in a highly leveraged or change in control transaction. The Senior Indenture does not have any provision that is designed specifically in response to highly leveraged or change in control transactions.

The senior debt securities will be our unsecured and unsubordinated obligations. The senior debt securities will rank on a parity in right of payment with all of our existing and future unsecured and unsubordinated indebtedness and will rank senior to any of our subordinated indebtedness. As of December 31, 2017, we have no junior subordinated debt outstanding and our aggregate unsecured and unsubordinated indebtedness was approximately \$2.9 billion. The senior debt securities will be subordinated to any of our secured indebtedness, as to the assets securing such indebtedness. As of December 31, 2017, we had no secured indebtedness.

In addition, the senior debt securities will be effectively subordinated to all existing and future liabilities of our subsidiaries. We are a holding company and conduct business through our various subsidiaries. As a result, our cash flow and consequent ability to meet our debt obligations primarily depend on the earnings of our subsidiaries, and on dividends and other payments from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit our ability to obtain cash from our subsidiaries for the purpose of meeting debt service obligations, including the payment of principal and interest on the senior debt securities. Any rights to receive assets of any subsidiary upon its liquidation or reorganization and the consequent right of the holders of the senior debt securities to participate in those assets will be

subject to the claims of that subsidiary's creditors, including trade creditors, except to the extent that we are recognized as a creditor of that subsidiary, in which

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case our claims would still be subordinate to any security interests in the assets of that subsidiary. As of December 31, 2017, our subsidiaries had approximately \$27.7 billion of indebtedness and other liabilities outstanding.

The amount of securities that we may issue under the Senior Indenture is not limited. We are not required to issue all senior debt securities of one series at the same time and, unless we indicate otherwise in the applicable prospectus supplement, we may reopen a series for issuances of additional senior debt securities of that series without the consent of the holders of the senior debt securities of that series.

We may also sell hybrid or novel securities now existing or developed in the future that combine certain features of the senior debt securities and other securities described in this prospectus.

When we offer to sell a particular series of senior debt securities, we will describe the specific terms of that series in a prospectus supplement relating to that series, including the following terms:

the title, aggregate principal amount and offering price of that series of senior debt securities;

the interest rate or rates, or method of calculation of such rate or rates, on that series, and the date from which the interest will accrue;

the dates on which interest will be payable;

the record dates for payments of interest;

the date on which the senior debt securities of that series will mature;

any redemption terms;

the period or periods within which, the price or prices at which and the terms and conditions upon which the senior debt securities of that series may be repaid, in whole or in part, at the option of the holder thereof;

any changes to events of default or covenants; and

other specific terms applicable to the senior debt securities of that series.

Any special U.S. federal income tax considerations applicable to senior debt securities sold at an original issue discount and any special U.S. federal income tax or other considerations applicable to any senior debt securities which are denominated in currencies other than U.S. dollars will be described in the prospectus supplement relating to that series of senior debt securities.

Unless we indicate otherwise in the applicable prospectus supplement, the senior debt securities will be denominated in U.S. dollars in minimum denominations of \$1,000 and integral multiples thereof.

Registration, Transfer and Exchange

Senior debt securities of any series may be exchanged for other senior debt securities of the same series of any authorized denominations and of a like aggregate principal amount, series and stated maturity and having the same terms and original issue date or dates. (Section 2.6 of the Senior Indenture).

Unless we indicate otherwise in the applicable prospectus supplement, senior debt securities may be presented for registration of transfer (duly endorsed or accompanied by a duly executed written instrument of transfer), at the office of the Senior Debt Trustee maintained for that purpose with respect to any series of senior debt securities and referred to in the applicable prospectus supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Senior Indenture. Any transfer or exchange will be effected if the senior debt securities are duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to the Company and the Senior Debt Trustee and duly executed by the holder of the senior debt security as described in the Senior Indenture. (Section 2.6 of the Senior Indenture).

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The Senior Debt Trustee will not be required to exchange or register a transfer of any senior debt securities of a series selected, called or being called for redemption except, in the case of any senior debt security to be redeemed in part, the portion thereof not to be so redeemed. (Section 2.6 of the Senior Indenture). See the information under the heading **Book-Entry System** in this prospectus.

Payment and Paying Agents

Principal, interest and premium, if any, on senior debt securities issued in the form of global senior debt securities will be paid in the manner described below under the heading **Book-Entry System**. Unless we indicate otherwise in the applicable prospectus supplement, interest on senior debt securities that are in the form of certificated senior debt securities will be paid by check mailed to the holder at that person's address as it appears in the register for the senior debt securities maintained by the Senior Debt Trustee; however, a holder of \$10,000,000 or more senior debt securities having the same interest payment dates will be entitled to receive payments of interest by wire transfer to a bank within the continental United States if appropriate wire transfer instructions have been received by the Senior Debt Trustee on or prior to the applicable record date. (Section 2.12 of the Senior Indenture). Unless we indicate otherwise in the applicable prospectus supplement, the principal, interest at maturity and premium, if any, on senior debt securities in the form of certificated senior debt securities will be payable in immediately available funds at the office of the Senior Debt Trustee. (Section 2.12 of the Senior Indenture).

All monies paid by us to a paying agent for the payment of principal, interest or premium, if any, on any senior debt security which remain unclaimed at the end of two years after that principal, interest or premium has become due and payable will be repaid to us and the holder of that senior debt security will thereafter look only to us for payment of that principal, interest or premium. (Section 4.4 of the Senior Indenture).

Events of Default and Remedies

The following constitute events of default under the Senior Indenture:

default in the payment of principal and premium, if any, on any security issued under the Senior Indenture when due and payable and continuance of that default for 5 days;

default in the payment of interest on any security issued under the Senior Indenture when due and continuance of that default for 30 days;

default in the performance or breach of our other covenants or warranties in the securities or in the Senior Indenture and the continuation of that default or breach for 90 days after written notice to us as provided in the Senior Indenture; and

specified events of bankruptcy, insolvency or reorganization of our company.
(Section 7.1 of the Senior Indenture).

Acceleration of Maturity. If an event of default occurs and is continuing, either the Senior Debt Trustee or the holders of a majority in principal amount of the outstanding senior debt securities may declare the principal amount of all

senior debt securities to be due and payable immediately. At any time after an acceleration of the securities has been declared, but before a judgment or decree of the immediate payment of the principal amount of the securities has been obtained, if we pay or deposit with the Senior Debt Trustee a sum sufficient to pay all matured installments of interest and the principal and any premium which has become due otherwise than by acceleration and all defaults have been cured or waived, then that payment or deposit will cause an automatic rescission and annulment of the acceleration of the securities. (Section 7.1 of the Senior Indenture).

Indemnification of Senior Debt Trustee. The Senior Debt Trustee generally will be under no obligation to exercise any of its rights or powers under the Senior Indenture at the request or direction of any of the holders unless such holders have offered reasonable security or indemnity to the Senior Debt Trustee. (Section 8.2 of the Senior Indenture).

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Right to Direct Proceedings. The holders of a majority in principal amount of the outstanding securities generally will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Debt Trustee, or of exercising any trust or power conferred on the Senior Debt Trustee, relating to the securities. However, the Senior Debt Trustee may refuse to follow any direction that conflicts with law or the Senior Indenture or would expose the Senior Debt Trustee to personal liability or be unduly prejudicial to holders not joining in such proceeding. (Section 7.7 of the Senior Indenture).

Limitation on Rights to Institute Proceedings. No holder of the senior debt securities of a series will have any right to pursue a remedy under the Senior Indenture, unless:

the holder has previously given the Senior Debt Trustee written notice of a continuing event of default on the series;

the holders of at least a majority in principal amount of the outstanding securities affected by such event of default have made written request, and the holder or holders have offered indemnity satisfactory to the Senior Debt Trustee to pursue the remedy; and

the Senior Debt Trustee has failed to comply with the request within 60 days after the request and offer. (Section 7.4 of the Senior Indenture).

No Impairment of Right to Receive Payment. Notwithstanding any other provision of the Senior Indenture, the holder of any senior debt security will have the absolute and unconditional right to receive payment of the principal, premium, if any, and interest on that senior debt security when due, and to institute suit for enforcement of that payment. This right may not be impaired without the consent of the holder. (Section 7.4 of the Senior Indenture).

Notice of Default. The Senior Debt Trustee is required to give the holders notice of the occurrence of a default within 90 days of the default, unless the default is cured or waived. Except in the case of a payment default on the senior debt securities, or a default in the payment of any sinking or purchase fund installments, the Senior Debt Trustee may withhold the notice if its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers determines in good faith that it is in the interest of holders to do so. (Section 7.8 of the Senior Indenture). We are required to deliver to the Senior Debt Trustee each year a certificate as to whether or not we are in compliance with the conditions and covenants under the Senior Indenture. (Section 5.5 of the Senior Indenture).

Modification

Unless we indicate otherwise in the applicable prospectus supplement, we and the Senior Debt Trustee may modify and amend the Senior Indenture from time to time.

We will not need the consent of the holders for the following types of amendments:

curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision or supplying an omission arising under the Senior Indenture;

changing or eliminating any of the provisions of the Senior Indenture, provided that any such change or elimination is to become effective only when:

there is no outstanding security created prior to the execution of the supplemental indenture that is entitled to receive the benefit of this provision; or

this change or elimination is applicable only to securities issued after the date this change or elimination becomes effective;

establishing the form of the securities or establishing or reflecting any terms of any security as provided in the Senior Indenture;

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evidencing our successor corporation and the assumption by our successor of our covenants in the Senior Indenture and in the securities;

granting to or conferring upon the Senior Debt Trustee any additional rights, remedies, powers or authority for the benefit of the holders of the securities;

permitting the Senior Debt Trustee to comply with any duties imposed upon it by law;

specifying further the duties and responsibilities of the Senior Debt Trustee, any authenticating agent and any paying agent and defining further the relationships among the Senior Debt Trustee, authenticating agent and paying agent;

adding to our covenants for the benefit of the holders of the securities or surrendering a right given to us in the Senior Indenture;

adding security for the securities; or

making any other change that is not prejudicial to the Senior Debt Trustee or the holders of the securities. (Section 12.1 of the Senior Indenture).

We will need the consent of the holders of each outstanding security affected by a proposed amendment if the amendment would cause any of the following to occur:

a change in the maturity date, reduction of the interest rate, or extension of the time of payment of interest, of any security;

a reduction in the principal amount of any security or the premium payable on any security;

a change in the currency of any payment of principal, premium or interest on any security;

a change in date on which any security may be redeemed or repaid at the option of the holder;

an impairment of the right of a holder to institute suit for the enforcement of any payment relating to any security;

a reduction in the percentage of outstanding securities necessary to consent to the modification or amendment of the Senior Indenture; or

a modification of these requirements or a reduction to less than a majority of the percentage of outstanding securities necessary to waive events of default.

(Section 12.2 of the Senior Indenture).

Amendments other than those described in the above two paragraphs will require the approval of a majority in principal amount of the outstanding securities.

Conversion Rights

Any supplemental indenture establishing a series of senior debt securities may provide for conversion rights. We will describe in the applicable prospectus supplement the particular terms and conditions, if any, on which senior debt securities may be convertible into other securities. These terms will include the conversion rate, the conversion period, provisions as to whether conversion will be mandatory or at our option or the option of the holder, events requiring an adjustment of the conversion rate and provisions affecting conversion in the event of the redemption of the debt securities. If we issue convertible debt securities, we will need to supplement the indenture to add applicable provisions regarding conversion.

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Defeasance and Discharge

We may be discharged from all obligations relating to the senior debt securities and the Senior Indenture (except for specified obligations such as obligations to register the transfer or exchange of securities, replace stolen, lost or mutilated securities and maintain paying agencies) if we irrevocably deposit with the Senior Debt Trustee, in trust for the benefit of holders of securities, money or U.S. government obligations (or any combination thereof) sufficient to make all payments of principal, premium and interest on the securities on the dates those payments are due. To discharge these obligations, we must deliver to the Senior Debt Trustee an opinion of counsel that the holders of the securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or discharge of the Senior Indenture. Upon any discharge of our obligations as described above, we will be deemed to have paid and discharged our entire indebtedness represented by the senior debt securities and our obligations under the senior debt securities. (Section 4.1 of the Senior Indenture).

Consolidation, Merger and Sale of Assets; No Financial Covenants

We will not consolidate with or merge into any other corporation or sell, or otherwise dispose all or substantially all of our assets unless the successor or transferee corporation assumes by supplemental indenture our obligations to pay the principal, interest and premium on all the securities and our obligation to perform every covenant of the Senior Indenture that we are to perform or observe, and we or the successor or transferee corporation, as applicable, are not immediately following such consolidation or merger, or sale, or disposition in default in the performance of any such covenant. Upon any consolidation or merger, or any sale, transfer or other disposition of all or substantially all of our assets, the successor or transferee corporation will succeed to, and be substituted for, and may exercise all of our rights and powers under the Senior Indenture with the same effect as if the successor corporation had been named as us in the Senior Indenture and we will be released from all obligations under the Senior Indenture. Regardless of whether a sale or transfer of assets might otherwise be considered a sale of all or substantially all of our assets, the Senior Indenture also specifically permits any sale, transfer or conveyance of our non-utility subsidiaries if, following such sale or transfer, the securities are rated by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. at least as high as the ratings accorded the securities immediately prior to the sale, transfer or disposition. (Sections 11.1 and 11.2 of the Senior Indenture).

The Senior Indenture does not contain any financial or other similar restrictive covenants.

Resignation or Removal of Senior Debt Trustee

The Senior Debt Trustee may resign at any time by notifying us in writing and specifying the day that the resignation is to take effect. The resignation will not take effect, however, until the later of the appointment of a successor trustee and the day the resignation is to take effect. (Section 8.10 of the Senior Indenture).

The holders of a majority in principal amount of the outstanding securities may remove the Senior Debt Trustee at any time. In addition, so long as no event of default or event which, with the giving of notice or lapse of time or both, would become an event of default has occurred and is continuing, we may remove the Senior Debt Trustee upon notice to the holder of each security outstanding and written notice to the Senior Debt Trustee. (Section 8.10 of the Senior Indenture).

Governing Law

The Senior Indenture and the senior debt securities will be governed by, and will be construed in accordance with, the laws of the State of Minnesota.

Concerning the Senior Debt Trustee

Wells Fargo Bank, National Association is the Senior Debt Trustee. We maintain banking relationships with the Senior Debt Trustee in the ordinary course of business. The Senior Debt Trustee also acts as trustee for our junior subordinated debt securities and certain debt securities of our subsidiaries.

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DESCRIPTION OF SUBORDINATED DEBT SECURITIES

We may issue subordinated debt securities (other than the junior subordinated debt securities (as defined below under Description of Junior Subordinated Debt Securities in this prospectus)), in one or more series, under one or more subordinated indentures. The description below contains summaries of selected provisions of the indenture under which the subordinated debt securities may be issued. These summaries are not complete. The form of subordinated indenture and the form of the supplemental indenture applicable to the subordinated debt securities have been filed as exhibits to the registration statement. You should read them for provisions that may be important to you. In the summaries below, we have included references to section numbers of the subordinated indenture so that you can easily locate these provisions.

We are not required to issue future issues of subordinated indebtedness under the subordinated indenture described in this prospectus. We are free to use other indentures or documentation, containing provisions different from those described in this prospectus, in connection with future issues of other subordinated indebtedness not under this registration statement.

The subordinated debt securities will be represented either by global subordinated debt securities registered in the name of the Depository or its nominee, or by securities in certificated form issued to the registered owners, as set forth in the applicable prospectus supplement. See the information under the heading Book-Entry System in this prospectus.

General

The subordinated debt securities will be issued in one or more new series under a subordinated indenture to be entered into between us and a trustee to be named therein, as trustee (the Subordinated Trustee). This subordinated indenture, as it may be supplemented by a supplemental indenture for each series of subordinated debt securities, is referred to in this prospectus as the Subordinated Indenture. As of December 31, 2017, we have no subordinated debt securities outstanding under the Subordinated Indenture.

The subordinated debt securities will be our unsecured obligations and will rank senior to any of our junior subordinated indebtedness and will rank junior in right of payment to our Senior Indebtedness, as described under the caption Subordination. As of December 31, 2017, our outstanding Senior Indebtedness (as defined below) was approximately \$2.9 billion.

In addition, the subordinated debt securities will be effectively subordinated to all existing and future liabilities of our subsidiaries, including trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders. We are a holding company and conduct business through our various subsidiaries. As a result, our cash flow and consequent ability to meet our debt obligations primarily depend on the earnings of our subsidiaries, and on dividends and other payments from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit our ability to obtain cash from our subsidiaries for the purpose of meeting debt service obligations, including the payment of principal and interest on the subordinated debt securities. Any rights to receive assets of any subsidiary upon its liquidation or reorganization and the consequent right of the holders of the subordinated debt securities to participate in those assets will be subject to the claims of that subsidiary's creditors, including trade creditors, except to the extent that we are recognized as a creditor of that subsidiary, in which case our claims would still be subordinate to any security interests in the assets of that subsidiary. As of December 31, 2017, our subsidiaries had approximately \$27.7 billion of indebtedness and other liabilities outstanding.

Unless the supplemental indenture that describes a particular series of subordinated debt securities provides otherwise with respect to that series, the holders of any subordinated debt securities offered by this prospectus will not have the right to require us to repurchase the subordinated debt securities if we become involved in a highly leveraged or change in control transaction. The Subordinated Indenture does not have any provision that is designed specifically in response to highly leveraged or change in control transactions.

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The amount of subordinated debt securities that we may issue under the Subordinated Indenture is not limited. We are not required to issue all subordinated debt securities of one series at the same time and, unless we indicate otherwise in the applicable prospectus supplement, we may reopen a series for issuances of additional subordinated debt securities of that series without the consent of the holders of the subordinated debt securities of that series.

We may also sell hybrid or novel securities now existing or developed in the future that combine certain features of the subordinated debt securities and other securities described in this prospectus.

When we offer to sell a particular series of subordinated debt securities, we will describe the specific terms of that series in a prospectus supplement relating to that series, including the following terms:

the title, aggregate principal amount and offering price of that series of subordinated debt securities;

the interest rate or rates, or method of calculation of such rate or rates, on that series, and the date from which the interest will accrue;

the dates on which interest will be payable;

any rights that would allow us to defer or extend an interest payment date;

the record dates for payments of interest;

the date on which the subordinated debt securities of that series will mature;

any redemption terms;

the period or periods within which, the price or prices at which and the terms and conditions upon which the subordinated debt securities of that series may be repaid, in whole or in part, at the option of the holder thereof;

any changes to events of default or covenants;

any changes to subordination provisions; and

other specific terms applicable to the subordinated debt securities of that series.

Any special U.S. federal income tax considerations applicable to subordinated debt securities sold at an original issue discount and any special U.S. federal income tax or other considerations applicable to any subordinated debt securities which are denominated in currencies other than U.S. dollars will be described in the prospectus supplement relating to that series of subordinated debt securities.

Unless we indicate otherwise in the applicable prospectus supplement, the subordinated debt securities will be denominated in U.S. dollars in minimum denominations of \$1,000 and integral multiples thereof.

Subordination

Each series of subordinated debt securities will be subordinate and junior in right of payment, to the extent set forth in the Subordinated Indenture, to all Senior Indebtedness (as defined below). If:

we make a payment or distribution of any of our assets to creditors upon our dissolution, winding-up, liquidation or reorganization, whether in bankruptcy, insolvency or otherwise;

a default in the payment of principal or interest on any Senior Indebtedness has occurred and is continuing;
or

the maturity of any Senior Indebtedness has been accelerated because of a default on that Senior Indebtedness,

then the holders of Senior Indebtedness generally will have the right to receive payment, in the case of the first instance above, of all amounts due or to become due upon that Senior Indebtedness, and, in the case of the second and third instances, of all amounts due on that Senior Indebtedness, or we will make provision for those

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payments, before the holders of any subordinated debt securities have the right to receive any payments of principal or interest on their securities. (Sections 14.1 and 14.9 of the Subordinated Indenture).

Unless we indicate otherwise in the applicable prospectus supplement, Senior Indebtedness includes the senior debt securities and means, with respect to any series of subordinated debt securities, the principal, premium, interest and any other payment in respect of any of the following, whether outstanding on the date of execution of the Subordinated Indenture or thereafter incurred, other than obligations expressly on a parity with the subordinated debt securities or junior to the subordinated debt securities:

all of our current and future indebtedness for borrowed or purchase money whether or not evidenced by bonds, debentures, notes or other similar written instruments;

our obligations under synthetic leases, finance leases and capitalized leases;

our obligations for reimbursement under letters of credit, banker's acceptances, security purchase facilities or similar facilities issued for our account;

any of our other indebtedness or obligations with respect to derivative contracts, including commodity contracts, interest rate, commodity and currency swap agreements, forward contracts and other similar agreements or arrangements designed to protect against fluctuations in commodity prices, currency exchange or interest rates; and

all indebtedness of others of the kinds described in the preceding categories which we have assumed or guaranteed.

Senior Indebtedness will not include trade accounts payable, accrued liabilities arising in the ordinary course of business, indebtedness to our subsidiaries or any indebtedness which is by its terms junior to or on parity with the subordinated debt securities, including the junior subordinated indebtedness issued under the Junior Subordinated Indenture. (Section 1.3 of the Subordinated Indenture.)

Senior Indebtedness will be entitled to the benefits of the subordination provisions in the Subordinated Indenture irrespective of the amendment, modification or waiver of any term of the Senior Indebtedness. We may not amend the Subordinated Indenture to change the subordination of any outstanding subordinated debt securities without the consent of each holder of subordinated debt securities that such amendment would adversely affect. (Sections 12.2 and 14.7 of the Subordinated Indenture.)

The Subordinated Indenture does not limit the amount of subordinated debt securities that we may issue.

Registration, Transfer and Exchange

Subordinated debt securities of any series may be exchanged for other subordinated debt securities of the same series of any authorized denominations and of a like aggregate principal amount, series and stated maturity and having the same terms and original issue date or dates. (Section 2.6 of the Subordinated Indenture).

Unless we indicate otherwise in the applicable prospectus supplement, subordinated debt securities may be presented for registration of transfer (duly endorsed or accompanied by a duly executed written instrument of transfer), at the office of the Subordinated Debt Trustee maintained for that purpose with respect to any series of subordinated debt securities and referred to in the applicable prospectus supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Subordinated Indenture. Any transfer or exchange will be effected if the subordinated debt securities are duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to the Company and the Subordinated Debt Trustee and duly executed by the holder of the subordinated debt security as described in the Subordinated Indenture. (Section 2.6 of the Subordinated Indenture).

The Subordinated Debt Trustee will not be required to exchange or register a transfer of any subordinated debt securities of a series selected, called or being called for redemption except, in the case of any subordinated

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debt security to be redeemed in part, the portion thereof not to be so redeemed. (Section 2.6 of the Subordinated Indenture). See the information under the heading **Book-Entry System** in this prospectus.

Payment and Paying Agents

Principal, interest and premium, if any, on subordinated debt securities issued in the form of global subordinated debt securities will be paid in the manner described below under the heading **Book-Entry System**. Unless we indicate otherwise in the applicable prospectus supplement, interest on subordinated debt securities that are in the form of certificated subordinated debt securities will be paid by check mailed to the holder at that person's address as it appears in the register for the subordinated debt securities maintained by the Subordinated Debt Trustee; however, a holder of \$10,000,000 or more subordinated debt securities having the same interest payment dates will be entitled to receive payments of interest by wire transfer to a bank within the continental United States if appropriate wire transfer instructions have been received by the Subordinated Debt Trustee on or prior to the applicable record date. (Section 2.12 of the Subordinated Indenture). Unless we indicate otherwise in the applicable prospectus supplement, the principal, interest at maturity and premium, if any, on subordinated debt securities in the form of certificated subordinated debt securities will be payable in immediately available funds at the office of the Subordinated Debt Trustee. (Section 2.12 of the Subordinated Indenture).

All monies paid by us to a paying agent for the payment of principal, interest or premium, if any, on any subordinated debt security which remain unclaimed at the end of two years after that principal, interest or premium has become due and payable will be repaid to us and the holder of that subordinated debt security will thereafter look only to us for payment of that principal, interest or premium. (Section 4.4 of the Subordinated Indenture).

Events of Default and Remedies

Unless we provide otherwise in a prospectus supplement, the following will constitute events of default under the Subordinated Indenture with respect to the subordinated debt securities of any series:

default in the payment of principal and premium, if any, on any security of such series when due and payable and continuance of that default for 5 days;

default in the payment of interest on any security of such series when due and continuance of that default for 30 days (subject, if applicable, to the right to optionally defer interest payments);

default in the performance or breach of our other covenants or warranties in the securities of such series or in the Subordinated Indenture (other than a covenant or agreement that has been expressly included in the Subordinated Indenture for the benefit of one or more series of subordinated debt securities other than such series) and the continuation of that default or breach for 90 days after written notice to us as provided in the Subordinated Indenture; and

specified events of bankruptcy, insolvency or reorganization of our company.
(Section 7.1 of the Subordinated Indenture).

Acceleration of Maturity. If an event of default occurs and is continuing with respect to a series of subordinated debt securities, either the Subordinated Debt Trustee or the holders of at least 25% in principal amount of the outstanding securities of that series may declare the principal amount of all securities of that series to be due and payable immediately. At any time after an acceleration of a series of securities has been declared, but before a judgment or decree of the immediate payment of the principal amount of those securities has been obtained, if:

holders of a majority in aggregate principal amount of the securities of that series rescind in writing the acceleration; and

we pay or deposit with the Subordinated Debt Trustee a sum sufficient to pay all matured installments of interest with respect to that series of securities and the principal and any premium which has become due with respect to that series of securities otherwise than by acceleration and all defaults with respect to that series of securities have been cured or waived, then that holders' rescission and the payment or deposit will cause an automatic rescission and annulment of the acceleration of the securities of that series. (Section 7.1 of the Subordinated Indenture).

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Indemnification of Subordinated Debt Trustee. The Subordinated Debt Trustee generally will be under no obligation to exercise any of its rights or powers under the Subordinated Indenture at the request or direction of any of the holders unless such holders have offered reasonable security or indemnity to the Subordinated Debt Trustee. (Section 8.2 of the Subordinated Indenture).

Right to Direct Proceedings. The holders of a majority in principal amount of the outstanding securities of a series generally will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Debt Trustee, or of exercising any trust or power conferred on the Subordinated Debt Trustee, relating to the securities of that series. Notwithstanding, the Subordinated Debt Trustee may refuse to follow any direction that conflicts with law or the Subordinated Indenture or would expose the Subordinated Debt Trustee to personal liability or be unduly prejudicial to holders not joining in such proceeding. (Section 7.7 of the Subordinated Indenture).

Limitation on Rights to Institute Proceedings. No holder of the subordinated debt securities of a series will have any right to pursue a remedy under the Subordinated Indenture, unless:

the holder has previously given the Subordinated Debt Trustee written notice of a continuing event of default on the series;

the holders of at least a majority in principal amount of the outstanding securities of all series affected by such event of default, considered as one class, have made written request, and the holder or holders have offered indemnity satisfactory to the Subordinated Debt Trustee to pursue the remedy; and

the Subordinated Debt Trustee has failed to comply with the request within 60 days after the request and offer.

(Section 7.4 of the Subordinated Indenture).

No Impairment of Right to Receive Payment. Notwithstanding any other provision of the Subordinated Indenture, the holder of any subordinated debt security will have the absolute and unconditional right to receive payment of the principal, premium, if any, and interest on that subordinated debt security when due and payable, and to institute suit for enforcement of that payment. This right may not be impaired without the consent of the holder. (Section 7.4 of the Subordinated Indenture).

Notice of Default. The Subordinated Debt Trustee is required to give the holders of a series of securities notice of the occurrence of a default within 90 days of the default with respect to that series, unless the default is cured or waived. Except in the case of a payment default on the subordinated debt securities, or a default in the payment of any sinking or purchase fund installments, the Subordinated Debt Trustee may withhold the notice if its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers determines in good faith that it is in the interest of holders of the series of affected securities to do so. (Section 7.8 of the Subordinated Indenture). We are required to deliver to the Subordinated Debt Trustee each year a certificate as to whether or not we are in compliance with the conditions and covenants under the Subordinated Indenture. (Section 5.5 of the Subordinated Indenture).

Conversion Rights

A series of subordinated debt securities may provide for conversion rights. We will describe in the applicable prospectus supplement the particular terms and conditions, if any, on which subordinated debt securities may be convertible into other securities. These terms will include the conversion rate, the conversion period, provisions as to whether conversion will be mandatory or at our option or the option of the holder, events requiring an adjustment of the conversion rate and provisions affecting conversion in the event of the redemption of the debt securities.

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Defeasance and Discharge

We may be discharged from all obligations relating to the subordinated debt securities and the Subordinated Indenture (except for specified obligations such as obligations to register the transfer or exchange of securities, replace stolen, lost or mutilated securities and maintain paying agencies) if we irrevocably deposit with the Subordinated Debt Trustee, in trust for the benefit of holders of securities, money or U.S. government obligations (or any combination thereof) sufficient to make all payments of principal, premium and interest on the securities on the dates those payments are due. To discharge these obligations, we must deliver to the Subordinated Debt Trustee an opinion of counsel to the effect that we have received from, or there has been published by, the Internal Revenue Service a ruling or similar pronouncement by the Internal Revenue Service or that there has been a change in law, in either case to the effect that the holders of the securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or discharge of the Subordinated Indenture, and holders will be subject to tax in the same manner, in the same amounts and same time as would have been the case absent such defeasance. Upon any discharge of our obligations as described above, we will be deemed to have paid and discharged our entire indebtedness represented by the subordinated debt securities and our obligations under the subordinated debt securities. (Section 4.1 of the Subordinated Indenture).

Modification

Unless we indicate otherwise in the applicable prospectus supplement, we and the Subordinated Debt Trustee may modify and amend the Subordinated Indenture from time to time.

We will not need the consent of the holders for the following types of amendments:

curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision or supplying an omission arising under the Subordinated Indenture;

changing or eliminating any of the provisions of the Subordinated Indenture, provided that any such change or elimination is to become effective only when:

there is no outstanding security created prior to the execution of the supplemental indenture that is entitled to receive the benefit of this provision; or

this change or elimination is applicable only to securities issued after the date this change or elimination becomes effective;

establishing the form of the securities or establishing or reflecting any terms of any security as provided in the Subordinated Indenture;

evidencing our successor corporation and the assumption by our successor of our covenants in the Subordinated Indenture and in the securities;

granting to or conferring upon the Subordinated Debt Trustee any additional rights, remedies, powers or authority for the benefit of the holders of the securities;

permitting the Subordinated Debt Trustee to comply with any duties imposed upon it by law;

specifying further the duties and responsibilities of the Subordinated Debt Trustee, any authenticating agent and any paying agent and defining further the relationships among the Subordinated Debt Trustee, authenticating agent and paying agent;

adding to our covenants for the benefit of the holders of the securities, surrendering a right given to us in the Subordinated Indenture or adding any event of default with respect to one or more series of securities;

facilitating defeasance and discharge of any series of the securities, provided that such action shall not adversely affect the interest of any holder;

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adding security for the securities; or

making any other change that is not prejudicial to the Subordinated Debt Trustee or the holders of the securities.

(Section 12.1 of the Subordinated Indenture).

We will need the consent of the holders of each outstanding security affected by a proposed amendment if the amendment would cause any of the following to occur:

a change in the maturity date, reduction of the interest rate, or extension of the time of payment of interest, of any security;

a reduction in the principal amount of any security or the premium payable on any security;

a change in the currency of any payment of principal, premium or interest on any security;

a change in date on which any security may be redeemed or repaid at the option of the holder;

an impairment of the right of a holder to institute suit for the enforcement of any payment relating to any security;

a reduction in the percentage of outstanding securities necessary to consent to the modification or amendment of the Subordinated Indenture;

a modification of these requirements or a reduction to less than a majority of the percentage of outstanding securities necessary to waive events of default; or

a modification of the subordination provisions in a manner adverse to such holders.

(Section 12.2 of the Subordinated Indenture).

Amendments other than those described in the above two paragraphs will require the approval of a majority in principal amount of the outstanding securities of all series, provided that if there are securities of more than one series outstanding and if a proposed amendment would directly affect the rights of holders of securities of one or more, but less than all, of such series, then the approval of a majority in principal amount of the outstanding securities of all series so directly affected, considered as one class, will be required.

Consolidation, Merger and Sale of Assets; No Financial Covenants

We will not consolidate with or merge into any other corporation or sell, or otherwise dispose all or substantially all of our assets unless the successor or transferee corporation assumes by supplemental indenture our obligations to pay the principal, interest and premium on all the securities and our obligation to perform every covenant of the Subordinated Indenture that we are to perform or observe, and we or the successor or transferee corporation, as applicable, are not immediately following such consolidation or merger, or sale, or disposition in default in the performance of any such covenant. Upon any consolidation or merger, or any sale, transfer or other disposition of all or substantially all of our assets, the successor or transferee corporation will succeed to, and be substituted for, and may exercise all of our rights and powers under the Subordinated Indenture with the same effect as if the successor corporation had been named as us in the Subordinated Indenture and we will be released from all obligations under the Subordinated Indenture. Regardless of whether a sale or transfer of assets might otherwise be considered a sale of all or substantially all of our assets, the Subordinated Indenture also specifically permits any sale, transfer or conveyance of our non-utility subsidiaries if, following such sale or transfer, the securities are rated by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. at least as high as the ratings accorded the securities immediately prior to the sale, transfer or disposition. (Sections 11.1 and 11.2 of the Subordinated Indenture).

The Subordinated Indenture does not contain any financial or other similar restrictive covenants.

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Resignation or Removal of Subordinated Debt Trustee

The Subordinated Debt Trustee may resign with respect to securities of any series at any time by notifying us in writing and specifying the day that the resignation is to take effect. The resignation will not take effect, however, until the later of the appointment of a successor trustee and the day the resignation is to take effect. (Section 8.10 of the Subordinated Indenture).

The holders of a majority in principal amount of the outstanding securities of any series may remove the Subordinated Debt Trustee as trustee of that series of securities at any time. In addition, so long as no event of default or event which, with the giving of notice or lapse of time or both, would become an event of default has occurred and is continuing with respect to securities of any series, we may remove the Subordinated Debt Trustee with respect to securities of that series upon notice to the holder of each security of that series outstanding and written notice to the Subordinated Debt Trustee. (Section 8.10 of the Subordinated Indenture).

Governing Law

The Subordinated Indenture and the subordinated debt securities will be governed by, and will be construed in accordance with, the laws of the State of Minnesota. (Section 15.4 of the Subordinated Indenture).

The Subordinated Debt Trustee

The Subordinated Indenture requires that the Subordinated Trustee be a corporation organized and doing business under the laws of the United States or any State thereof or of the District of Columbia (or a corporation or other person permitted to act as trustee by the Commission), subject to supervision or examination by such bodies and authorized under such laws to exercise corporate trust powers and having a combined capital and surplus of at least \$150,000,000. If at any time the Subordinated Trustee shall cease to be eligible to serve as trustee under the Subordinated Indenture, the Subordinated Trustee shall resign immediately and a new trustee will be appointed as provided in the Subordinated Indenture.

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DESCRIPTION OF JUNIOR SUBORDINATED DEBT SECURITIES

The description below contains summaries of selected provisions of the indenture, including supplemental indentures, under which the junior subordinated debt securities may be issued (referred to herein as "junior subordinated indenture"). These summaries are not complete. The junior subordinated indenture and the form of the supplemental indenture applicable to the junior subordinated debt securities have been filed as exhibits to the registration statement. You should read them for provisions that may be important to you. In the summaries below, we have included references to section numbers of the junior subordinated indenture so that you can easily locate these provisions.

We are not required to issue future issues of junior subordinated indebtedness under the junior subordinated indenture described in this prospectus. We are free to use other indentures or documentation, containing provisions different from those described in this prospectus, in connection with future issues of other junior subordinated indebtedness not under this registration statement.

The junior subordinated debt securities will be represented either by global junior subordinated debt securities registered in the name of the Depository or its nominee, or by securities in certificated form issued to the registered owners, as set forth in the applicable prospectus supplement. See the information under the heading "Book-Entry System" in this prospectus.

General

The junior subordinated debt securities will be issued in one or more new series under an indenture dated as of January 1, 2008 between us and Wells Fargo Bank, National Association, as trustee (the "Junior Subordinated Debt Trustee"). This junior subordinated indenture, as it may be supplemented by a supplemental indenture for each series of junior subordinated debt securities, is referred to in this prospectus as the "Junior Subordinated Indenture." As of December 31, 2017, we have no junior subordinated debt outstanding under the Junior Subordinated Indenture.

The junior subordinated debt securities will be our unsecured obligations and will rank on a parity in right of payment with all of our future junior subordinated indebtedness and junior in right of payment to our Senior Ranking Indebtedness, as described under the caption "Subordination." As of December 31, 2017, our outstanding Senior Ranking Indebtedness (as defined below) was approximately \$2.9 billion.

In addition, the junior subordinated debt securities will be effectively subordinated to all existing and future liabilities of our subsidiaries, including trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders. We are a holding company and conduct business through our various subsidiaries. As a result, our cash flow and consequent ability to meet our debt obligations primarily depend on the earnings of our subsidiaries, and on dividends and other payments from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit our ability to obtain cash from our subsidiaries for the purpose of meeting debt service obligations, including the payment of principal and interest on the junior subordinated debt securities. Any rights to receive assets of any subsidiary upon its liquidation or reorganization and the consequent right of the holders of the junior subordinated debt securities to participate in those assets will be subject to the claims of that subsidiary's creditors, including trade creditors, except to the extent that we are recognized as a creditor of that subsidiary, in which case our claims would still be subordinate to any security interests in the assets of that subsidiary. As of December 31, 2017, our subsidiaries had approximately \$27.7 billion of indebtedness and other liabilities outstanding.

Unless the supplemental indenture that describes a particular series of junior subordinated debt securities provides otherwise with respect to that series, the holders of any junior subordinated debt securities offered by this prospectus

will not have the right to require us to repurchase the junior subordinated debt securities if we

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become involved in a highly leveraged or change in control transaction. The Junior Subordinated Indenture does not have any provision that is designed specifically in response to highly leveraged or change in control transactions.

The amount of junior subordinated debt securities that we may issue under the Junior Subordinated Indenture is not limited. We are not required to issue all junior subordinated debt securities of one series at the same time and, unless we indicate otherwise in the applicable prospectus supplement, we may reopen a series for issuances of additional junior subordinated debt securities of that series without the consent of the holders of the junior subordinated debt securities of that series.

We may also sell hybrid or novel securities now existing or developed in the future that combine certain features of the junior subordinated debt securities and other securities described in this prospectus.

When we offer to sell a particular series of junior subordinated debt securities, we will describe the specific terms of that series in a prospectus supplement relating to that series, including the following terms:

the title, aggregate principal amount and offering price of that series of junior subordinated debt securities;

the interest rate or rates, or method of calculation of such rate or rates, on that series, and the date from which the interest will accrue;

the dates on which interest will be payable;

any rights that would allow us to defer or extend an interest payment date;

the record dates for payments of interest;

the date on which the junior subordinated debt securities of that series will mature;

any redemption terms;

the period or periods within which, the price or prices at which and the terms and conditions upon which the junior subordinated debt securities of that series may be repaid, in whole or in part, at the option of the holder thereof;

any changes to events of default or covenants;

any changes to subordination provisions; and

other specific terms applicable to the junior subordinated debt securities of that series.

Any special U.S. federal income tax considerations applicable to junior subordinated debt securities sold at an original issue discount and any special U.S. federal income tax or other considerations applicable to any junior subordinated debt securities which are denominated in currencies other than U.S. dollars will be described in the prospectus supplement relating to that series of junior subordinated debt securities.

Unless we indicate otherwise in the applicable prospectus supplement, the junior subordinated debt securities will be denominated in U.S. dollars in minimum denominations of \$1,000 and integral multiples thereof.

Subordination

Each series of junior subordinated debt securities will be subordinate and junior in right of payment, to the extent set forth in the Junior Subordinated Indenture, to all Senior Ranking Indebtedness (as defined below). If:

we make a payment or distribution of any of our assets to creditors upon our dissolution, winding-up, liquidation or reorganization, whether in bankruptcy, insolvency or otherwise;

a default in the payment of principal or interest on any Senior Ranking Indebtedness has occurred and is continuing; or

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the maturity of any Senior Ranking Indebtedness has been accelerated because of a default on that Senior Ranking Indebtedness, then the holders of Senior Ranking Indebtedness generally will have the right to receive payment, in the case of the first instance above, of all amounts due or to become due upon that Senior Ranking Indebtedness, and, in the case of the second and third instances, of all amounts due on that Senior Ranking Indebtedness, or we will make provision for those payments, before the holders of any junior subordinated debt securities have the right to receive any payments of principal or interest on their securities. (Sections 14.1 and 14.9 of the Junior Subordinated Indenture).

Senior Ranking Indebtedness means, with respect to any series of junior subordinated debt securities, the principal, premium, interest and any other payment in respect of any of the following, whether outstanding on the date of execution of the Junior Subordinated Indenture or thereafter incurred, other than obligations expressly on a parity with or junior to the junior subordinated debt securities:

all of our current and future indebtedness for borrowed or purchase money whether or not evidenced by bonds, debentures, notes or other similar written instruments, including indebtedness issued under our Senior Indenture or Subordinated Indenture described above;

our obligations under synthetic leases, finance leases and capitalized leases;

our obligations for reimbursement under letters of credit, banker's acceptances, security purchase facilities or similar facilities issued for our account;

any of our other indebtedness or obligations with respect to derivative contracts, including commodity contracts, interest rate, commodity and currency swap agreements, forward contracts and other similar agreements or arrangements designed to protect against fluctuations in commodity prices, currency exchange or interest rates; and

all indebtedness of others of the kinds described in the preceding categories which we have assumed or guaranteed.

Senior Ranking Indebtedness will not include trade accounts payable, accrued liabilities arising in the ordinary course of business, indebtedness to our subsidiaries or any indebtedness which is by its terms junior to or on parity with the junior subordinated debt securities. (Section 1.3 of the Junior Subordinated Indenture.)

Senior Ranking Indebtedness will be entitled to the benefits of the subordination provisions in the Junior Subordinated Indenture irrespective of the amendment, modification or waiver of any term of the Senior Ranking Indebtedness. We may not amend the Junior Subordinated Indenture to change the subordination of any outstanding junior subordinated debt securities without the consent of each holder of junior subordinated debt securities that such amendment would adversely affect. (Sections 12.2 and 14.7 of the Junior Subordinated Indenture.)

The Junior Subordinated Indenture does not limit the amount of junior subordinated debt securities that we may issue.

Registration, Transfer and Exchange

Junior subordinated debt securities of any series may be exchanged for other junior subordinated debt securities of the same series of any authorized denominations and of a like aggregate principal amount, series and stated maturity and having the same terms and original issue date or dates. (Section 2.6 of the Junior Subordinated Indenture).

Unless we indicate otherwise in the applicable prospectus supplement, junior subordinated debt securities may be presented for registration of transfer (duly endorsed or accompanied by a duly executed written instrument of transfer), at the office of the Junior Subordinated Debt Trustee maintained for that purpose with

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respect to any series of junior subordinated debt securities and referred to in the applicable prospectus supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Junior Subordinated Indenture. Any transfer or exchange will be effected if the junior subordinated debt securities are duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to the Company and the Junior Subordinated Debt Trustee and duly executed by the holder of the junior subordinated debt security as described in the Junior Subordinated Indenture. (Section 2.6 of the Junior Subordinated Indenture).

The Junior Subordinated Debt Trustee will not be required to exchange or register a transfer of any junior subordinated debt securities of a series selected, called or being called for redemption except, in the case of any junior subordinated debt security to be redeemed in part, the portion thereof not to be so redeemed. (Section 2.6 of the Junior Subordinated Indenture). See the information under the heading **Book-Entry System** in this prospectus.

Payment and Paying Agents

Principal, interest and premium, if any, on junior subordinated debt securities issued in the form of global junior subordinated debt securities will be paid in the manner described below under the heading **Book-Entry System**. Unless we indicate otherwise in the applicable prospectus supplement, interest on junior subordinated debt securities that are in the form of certificated junior subordinated debt securities will be paid by check mailed to the holder at that person's address as it appears in the register for the junior subordinated debt securities maintained by the Junior Subordinated Debt Trustee; however, a holder of \$10,000,000 or more junior subordinated debt securities having the same interest payment dates will be entitled to receive payments of interest by wire transfer to a bank within the continental United States if appropriate wire transfer instructions have been received by the Junior Subordinated Debt Trustee on or prior to the applicable record date. (Section 2.12 of the Junior Subordinated Indenture). Unless we indicate otherwise in the applicable prospectus supplement, the principal, interest at maturity and premium, if any, on junior subordinated debt securities in the form of certificated junior subordinated debt securities will be payable in immediately available funds at the office of the Junior Subordinated Debt Trustee. (Section 2.12 of the Junior Subordinated Indenture).

All monies paid by us to a paying agent for the payment of principal, interest or premium, if any, on any junior subordinated debt security which remain unclaimed at the end of two years after that principal, interest or premium has become due and payable will be repaid to us and the holder of that junior subordinated debt security will thereafter look only to us for payment of that principal, interest or premium. (Section 4.4 of the Junior Subordinated Indenture).

Events of Default and Remedies

Unless we provide otherwise in a prospectus supplement, the following will constitute events of default under the Junior Subordinated Indenture with respect to the junior subordinated debt securities of any series:

default in the payment of principal and premium, if any, on any security of such series when due and payable and continuance of that default for 5 days;

default in the payment of interest on any security of such series when due and continuance of that default for 30 days (subject, if applicable, to the right to optionally defer interest payments);

default in the performance or breach of our other covenants or warranties in the securities of such series or in the Junior Subordinated Indenture (other than a covenant or agreement that has been expressly included in the Junior Subordinated Indenture for the benefit of one or more series of junior subordinated debt securities other than such series) and the continuation of that default or breach for 90 days after written notice to us as provided in the Junior Subordinated Indenture; and

specified events of bankruptcy, insolvency or reorganization of our company.

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(Section 7.1 of the Junior Subordinated Indenture).

Acceleration of Maturity. If an event of default occurs and is continuing with respect to a series of junior subordinated debt securities, either the Junior Subordinated Debt Trustee or the holders of at least 25% in principal amount of the outstanding securities of that series may declare the principal amount of all securities of that series to be due and payable immediately. At any time after an acceleration of a series of securities has been declared, but before a judgment or decree of the immediate payment of the principal amount of those securities has been obtained, if:

holders of a majority in aggregate principal amount of the securities of that series rescind in writing the acceleration; and

we pay or deposit with the Junior Subordinated Debt Trustee a sum sufficient to pay all matured installments of interest with respect to that series of securities and the principal and any premium which has become due with respect to that series of securities otherwise than by acceleration and all defaults with respect to that series of securities have been cured or waived,

then that holders' rescission and the payment or deposit will cause an automatic rescission and annulment of the acceleration of the securities of that series. (Section 7.1 of the Junior Subordinated Indenture).

Indemnification of Junior Subordinated Debt Trustee. The Junior Subordinated Debt Trustee generally will be under no obligation to exercise any of its rights or powers under the Junior Subordinated Indenture at the request or direction of any of the holders unless such holders have offered reasonable security or indemnity to the Junior Subordinated Debt Trustee. (Section 8.2 of the Junior Subordinated Indenture).

Right to Direct Proceedings. The holders of a majority in principal amount of the outstanding securities of a series generally will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Junior Subordinated Debt Trustee, or of exercising any trust or power conferred on the Junior Subordinated Debt Trustee, relating to the securities of that series. Notwithstanding, the Junior Subordinated Debt Trustee may refuse to follow any direction that conflicts with law or the Junior Subordinated Indenture or would expose the Junior Subordinated Debt Trustee to personal liability or be unduly prejudicial to holders not joining in such proceeding. (Section 7.7 of the Junior Subordinated Indenture).

Limitation on Rights to Institute Proceedings. No holder of the junior subordinated debt securities of a series will have any right to pursue a remedy under the Junior Subordinated Indenture, unless:

the holder has previously given the Junior Subordinated Debt Trustee written notice of a continuing event of default on the series;

the holders of at least a majority in principal amount of the outstanding securities of all series affected by such event of default, considered as one class, have made written request, and the holder or holders have offered indemnity satisfactory to the Junior Subordinated Debt Trustee to pursue the remedy; and

the Junior Subordinated Debt Trustee has failed to comply with the request within 60 days after the request and offer.

(Section 7.4 of the Junior Subordinated Indenture).

No Impairment of Right to Receive Payment. Notwithstanding any other provision of the Junior Subordinated Indenture, the holder of any junior subordinated debt security will have the absolute and unconditional right to receive payment of the principal, premium, if any, and interest on that junior subordinated debt security when due and payable, and to institute suit for enforcement of that payment. This right may not be impaired without the consent of the holder. (Section 7.4 of the Junior Subordinated Indenture).

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Notice of Default. The Junior Subordinated Debt Trustee is required to give the holders of a series of securities notice of the occurrence of a default within 90 days of the default with respect to that series, unless the default is cured or waived. Except in the case of a payment default on the junior subordinated debt securities, or a default in the payment of any sinking or purchase fund installments, the Junior Subordinated Debt Trustee may withhold the notice if its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers determines in good faith that it is in the interest of holders of the series of affected securities to do so. (Section 7.8 of the Junior Subordinated Indenture). We are required to deliver to the Junior Subordinated Debt Trustee each year a certificate as to whether or not we are in compliance with the conditions and covenants under the Junior Subordinated Indenture. (Section 5.5 of the Junior Subordinated Indenture).

Conversion Rights

Any supplemental indenture establishing a series of junior subordinated debt securities may provide for conversion rights. We will describe in the applicable prospectus supplement the particular terms and conditions, if any, on which junior subordinated debt securities may be convertible into other securities. These terms will include the conversion rate, the conversion period, provisions as to whether conversion will be mandatory or at our option or the option of the holder, events requiring an adjustment of the conversion rate and provisions affecting conversion in the event of the redemption of the debt securities. If we issue convertible debt securities, we will need to supplement the indenture to add applicable provisions regarding conversion.

Defeasance and Discharge

We may be discharged from all obligations relating to the junior subordinated debt securities and the Junior Subordinated Indenture (except for specified obligations such as obligations to register the transfer or exchange of securities, replace stolen, lost or mutilated securities and maintain paying agencies) if we irrevocably deposit with the Junior Subordinated Debt Trustee, in trust for the benefit of holders of securities, money or U.S. government obligations (or any combination thereof) sufficient to make all payments of principal, premium and interest on the securities on the dates those payments are due. To discharge these obligations, we must deliver to the Junior Subordinated Debt Trustee an opinion of counsel to the effect that we have received from, or there has been published by, the Internal Revenue Service a ruling or similar pronouncement by the Internal Revenue Service or that there has been a change in law, in either case to the effect that the holders of the securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or discharge of the Junior Subordinated Indenture, and holders will be subject to tax in the same manner, in the same amounts and same time as would have been the case absent such defeasance. Upon any discharge of our obligations as described above, we will be deemed to have paid and discharged our entire indebtedness represented by the junior subordinated debt securities and our obligations under the junior subordinated debt securities. (Section 4.1 of the Junior Subordinated Indenture).

Modification

Unless we indicate otherwise in the applicable prospectus supplement, we and the Junior Subordinated Debt Trustee may modify and amend the Junior Subordinated Indenture from time to time.

We will not need the consent of the holders for the following types of amendments:

curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision or supplying an omission arising under the Junior Subordinated Indenture;

changing or eliminating any of the provisions of the Junior Subordinated Indenture, provided that any such change or elimination is to become effective only when:

there is no outstanding security created prior to the execution of the supplemental indenture that is entitled to receive the benefit of this provision; or

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this change or elimination is applicable only to securities issued after the date this change or elimination becomes effective;

establishing the form of the securities or establishing or reflecting any terms of any security as provided in the Junior Subordinated Indenture;

evidencing our successor corporation and the assumption by our successor of our covenants in the Junior Subordinated Indenture and in the securities;

granting to or conferring upon the Junior Subordinated Debt Trustee any additional rights, remedies, powers or authority for the benefit of the holders of the securities;

permitting the Junior Subordinated Debt Trustee to comply with any duties imposed upon it by law;

specifying further the duties and responsibilities of the Junior Subordinated Debt Trustee, any authenticating agent and any paying agent and defining further the relationships among the Junior Subordinated Debt Trustee, authenticating agent and paying agent;

adding to our covenants for the benefit of the holders of the securities, surrendering a right given to us in the Junior Subordinated Indenture or adding any event of default with respect to one or more series of securities;

facilitating defeasance and discharge of any series of the securities, provided that such action shall not adversely affect the interest of any holder;

adding security for the securities; or

making any other change that is not prejudicial to the Junior Subordinated Debt Trustee or the holders of the securities.

(Section 12.1 of the Junior Subordinated Indenture).

We will need the consent of the holders of each outstanding security affected by a proposed amendment if the amendment would cause any of the following to occur:

a change in the maturity date, reduction of the interest rate, or extension of the time of payment of interest, of any security;

a reduction in the principal amount of any security or the premium payable on any security;

a change in the currency of any payment of principal, premium or interest on any security;

a change in date on which any security may be redeemed or repaid at the option of the holder;

an impairment of the right of a holder to institute suit for the enforcement of any payment relating to any security;

a reduction in the percentage of outstanding securities necessary to consent to the modification or amendment of the Junior Subordinated Indenture;

a modification of these requirements or a reduction to less than a majority of the percentage of outstanding securities necessary to waive events of default; or

a modification of the subordination provisions in a manner adverse to such holders.

(Section 12.2 of the Junior Subordinated Indenture).

Amendments other than those described in the above two paragraphs will require the approval of a majority in principal amount of the outstanding securities of all series, provided that if there are securities of more than one series outstanding and if a proposed amendment would directly affect the rights of holders of securities of one or more, but less than all, of such series, then the approval of a majority in principal amount of the outstanding securities of all series so directly affected, considered as one class, will be required.

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Consolidation, Merger and Sale of Assets; No Financial Covenants

We will not consolidate with or merge into any other corporation or sell, or otherwise dispose all or substantially all of our assets unless the successor or transferee corporation assumes by supplemental indenture our obligations to pay the principal, interest and premium on all the securities and our obligation to perform every covenant of the Junior Subordinated Indenture that we are to perform or observe, and we or the successor or transferee corporation, as applicable, are not immediately following such consolidation or merger, or sale, or disposition in default in the performance of any such covenant. Upon any consolidation or merger, or any sale, transfer or other disposition of all or substantially all of our assets, the successor or transferee corporation will succeed to, and be substituted for, and may exercise all of our rights and powers under the Junior Subordinated Indenture with the same effect as if the successor corporation had been named as us in the Junior Subordinated Indenture and we will be released from all obligations under the Junior Subordinated Indenture. Regardless of whether a sale or transfer of assets might otherwise be considered a sale of all or substantially all of our assets, the Junior Subordinated Indenture also specifically permits any sale, transfer or conveyance of our non-utility subsidiaries if, following such sale or transfer, the securities are rated by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. at least as high as the ratings accorded the securities immediately prior to the sale, transfer or disposition. (Sections 11.1 and 11.2 of the Junior Subordinated Indenture).

The Junior Subordinated Indenture does not contain any financial or other similar restrictive covenants.

Resignation or Removal of Junior Subordinated Debt Trustee

The Junior Subordinated Debt Trustee may resign with respect to securities of any series at any time by notifying us in writing and specifying the day that the resignation is to take effect. The resignation will not take effect, however, until the later of the appointment of a successor trustee and the day the resignation is to take effect. (Section 8.10 of the Junior Subordinated Indenture).

The holders of a majority in principal amount of the outstanding securities of any series may remove the Junior Subordinated Debt Trustee as trustee of that series of securities at any time. In addition, so long as no event of default or event which, with the giving of notice or lapse of time or both, would become an event of default has occurred and is continuing with respect to securities of any series, we may remove the Junior Subordinated Debt Trustee with respect to securities of that series upon notice to the holder of each security of that series outstanding and written notice to the Junior Subordinated Debt Trustee. (Section 8.10 of the Junior Subordinated Indenture).

Governing Law

The Junior Subordinated Indenture and the junior subordinated debt securities will be governed by, and will be construed in accordance with, the laws of the State of Minnesota. (Section 15.4 of the Junior Subordinated Indenture).

Concerning the Junior Subordinated Debt Trustee

Wells Fargo Bank, National Association is the Junior Subordinated Debt Trustee. We maintain banking relationships with the Junior Subordinated Debt Trustee in the ordinary course of business. The Junior Subordinated Debt Trustee also acts as trustee for our senior debt securities and certain debt securities of our subsidiaries.

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DESCRIPTION OF COMMON STOCK

The following summary description sets forth some of the general terms and provisions of the common stock. This summary is not complete. For a more detailed description of the common stock, you should refer to the provisions of our Amended and Restated Articles of Incorporation (Articles) and Bylaws. The Articles and the Bylaws have been filed as exhibits to the registration statement. You should read them for provisions that may be important to you.

General

Our capital stock consists of two classes: common stock, par value \$2.50 per share (1,000,000,000 shares currently authorized of which 508,064,983 shares were outstanding as of February 19, 2018); and preferred stock, par value \$100 per share (7,000,000 shares authorized, of which no shares were outstanding as of February 19, 2018).

Dividend Rights

Before we can pay any dividends on our common stock, the holders of our preferred stock, if any, are entitled to receive dividends at the respective rates provided for in the terms of the shares of any outstanding series.

Because we are a holding company and conduct all of our operations through our subsidiaries, our cash flow and ability to pay dividends is dependent on the earnings and cash flows of our subsidiaries and the distribution or other payment of those earnings to us in the form of dividends, or in the form of repayments of loans or advances to us. Some of our subsidiaries may have restrictions on their ability to pay dividends including covenants under their borrowing arrangements and mortgage indentures, and possibly also restrictions imposed by their regulators and by statute. See Management's Discussion and Analysis of Financial Conditions and Results of Operations Common Stock Dividends and Notes to Consolidated Financial Statements in our most recent Annual Report on Form 10-K for a discussion of factors affecting our payment of dividends including limitations imposed by statute.

Voting Rights

The holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders.

Preferred Stock

Our board of directors is authorized, to the fullest extent permitted by law, to establish out of our authorized capital stock up to 7,000,000 shares of preferred stock, which may be issued in one or more classes or series, having such dividend rights and times of payment, redemption prices, liquidation prices or preferences as to assets in voluntary liquidation, and other relative rights and preferences as our board of directors shall determine. As of February 19, 2018, no shares of preferred stock were outstanding. The terms of any preferred stock issued by the Company could have the effect of delaying or preventing a change in control without further action by our shareholders. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock.

Change of Control

Our Bylaws and the Minnesota Business Corporation Act, as amended (the Minnesota BCA), contain provisions that could discourage, delay, prevent or make more difficult a change of control of our company. including, but not limited to, those summarized below.

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Bylaw Provisions. Under our Bylaws, our shareholders must provide us advance notice of the introduction by them of business at annual meetings of our shareholders. For a shareholder to properly bring a proposal before an annual meeting, the shareholder must comply with the shareholder proposal requirements under the federal proxy rules and deliver a written notice to our Corporate Secretary, or mail and be received at our principal executive office, not less than ninety days before the first anniversary date of the preceding year's annual meeting. If, however, the date of the annual meeting is more than thirty days before or after such anniversary date, the notice must be so delivered or so mailed and received not less than ninety days before the annual meeting or, if later, within ten days after the first public announcement of the date of the annual meeting. The required notice from a shareholder must contain a description of the business being introduced, the reasons for introducing such business, the name and address of each shareholder supporting the introduction and such other information as required under our Bylaws and federal proxy rules.

A shareholder, or a group of up to 20 shareholders, owning 3% or more of the Company's outstanding common stock continuously for at least 3 years can nominate and include in the Company's proxy materials director-nominees constituting up to 2 individuals or 20% of the board (whichever is greater), provided that the shareholder(s) and the director-nominee(s) satisfy the requirements specified in the Bylaws. To be timely, the proposal must be delivered to the Secretary, or mailed and received at our principal executive office, not less than 120 days and not more than 150 days prior to the first anniversary of the date that the Company distributed its proxy statement to shareholders for the previous year's annual meeting of shareholders. If, however, the date of the annual meeting of shareholders is more than thirty (30) days before or after such anniversary date, the Notice of Proxy Access Nomination shall be timely if so delivered or so mailed and received not less than ninety (90) days before the annual meeting or, if later, within ten (10) days after the first public announcement of the date of the annual meeting. The required notice from such a shareholder must contain such information as required under our Bylaws and federal proxy rules.

Except to the extent otherwise required by law, the adjournment of an annual meeting of shareholders will not commence a new time period for the giving of a shareholder's notice as required above.

Minnesota BCA. Section 302A.671 of the Minnesota BCA applies to potential acquirers of 20% or more of our voting shares. Section 302A.671 provides in substance that shares acquired by such acquirer will not have any voting rights unless the voting rights are either:

approved by (i) a majority of the voting power of all of our shares entitled to vote including all shares held by the acquirer and (ii) a majority of the voting power of all of our shares entitled to vote excluding all interested shares; or

acquired in a transaction that (i) is pursuant to a tender offer or exchange offer for all of our voting shares, (ii) results in the acquirer becoming the owner of at least a majority of our outstanding voting shares, and (iii) has been approved by a committee of disinterested directors.

Section 302A.673 of the Minnesota BCA generally prohibits public Minnesota corporations, including us, from engaging in any business combination with a person or entity owning, directly or indirectly, 10% or more of our voting shares for a period of four years after the date of the transaction in which such person or entity became a 10% shareholder unless the business combination or the acquisition resulting in 10% ownership was approved by a committee of disinterested directors prior to the date such person or entity became a 10% shareholder.

Section 302A.675 of the Minnesota BCA provides in substance that a person or entity making a takeover offer (an offeror) for us is prohibited from acquiring any additional shares of our company within two years following the last purchase of shares pursuant to the offer with respect to that class unless (i) the acquisition is approved by a committee of disinterested directors before the purchase of any shares by the offeror pursuant to the offer or (ii) our shareholders are afforded, at the time of the acquisition, a reasonable opportunity to dispose of their shares to the offeror upon substantially equivalent terms as those provided in the earlier takeover offer.

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Liquidation Rights

If we were to liquidate, subject to the terms of any outstanding series of preferred stock, the holders of our common stock are entitled to receive pro rata our assets legally available for distribution to stockholders.

Preemptive and Subscription Rights

No holder of our capital stock has the preemptive right to purchase or subscribe for any additional shares of our capital stock.

Concerning the Transfer Agent

Our common stock is listed on the Nasdaq Stock Market LLC. EQ Shareowner Services is the Transfer Agent and Registrar for the common stock.

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DESCRIPTION OF PREFERRED STOCK

Our board of directors is authorized, to the fullest extent permitted by law, to establish out of our authorized capital stock up to 7,000,000 shares of preferred stock, which may be issued in one or more classes or series, having such dividend rights and times of payment, redemption prices, liquidation prices or preferences, and the other rights and preferences as our board of directors shall determine at the time of issuance. As of February 19, 2018, no shares of preferred stock were outstanding.

The issuance of our preferred stock, while potentially providing us with flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or delay or deter a third party from attempting to acquire, a majority of our outstanding voting stock.

The rights, preferences, privileges and restrictions of the preferred stock of each series will be fixed by resolution of the board of directors. To the extent appropriate, we will include in a prospectus supplement the terms relating to any series of preferred stock being offered thereby. These terms will include some or all of the following, as applicable:

the title of the series and the number of shares in the series;

the price at which the preferred stock will be offered;

the dividend rate or rates or method of calculating the rates, the dates on which and the place or places where the dividends will be payable, whether the dividends will be cumulative or noncumulative and, if cumulative, the dates from which dividends on the preferred stock being offered will cumulate;

the voting rights, if any, of the holders of shares of the preferred stock being offered;

the provisions for a sinking fund, if any, and the provisions for redemption, if applicable, of the preferred stock being offered;

the liquidation preference per share;

the terms and conditions, if applicable, upon which the preferred stock being offered will be convertible into our common stock, including the conversion price, or the manner of calculating the conversion price, and the conversion period;

any date of maturity of the preferred stock;

any listing of the preferred stock being offered on any securities exchange;

whether interests in the shares of the series will be represented by depositary shares;

a discussion of any material U.S. federal income tax considerations applicable to the preferred stock being offered;

the relative ranking and preferences of the preferred stock being offered as to dividend rights and rights upon liquidation, dissolution, or the winding up of our affairs;

any limitations on the issuance of any class or series of preferred stock ranking senior or equal to the series of preferred stock being offered as to dividend rights and rights upon liquidation, dissolution or the winding up of our affairs; and

any or all other preferences and relative, participating, operational or other special rights or qualifications, limitations or restrictions of the series.

The Minnesota BCA provides that the holders of preferred stock have the right to vote separately as a class on any proposal involving changes in the rights or preferences of holders of such preferred stock. This right is in addition to any voting rights that may be provided for in the applicable resolution creating such preferred stock.

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DESCRIPTION OF DEPOSITARY SHARES

We may offer depositary shares (either separately or together with other securities) representing fractional interests in our preferred stock of any series. The following description sets forth certain general terms and provisions of the depositary shares to which any prospectus supplement may relate. The particular terms of the depositary shares to which any prospectus supplement may relate and the extent, if any, to which the general terms and provisions may apply to the depositary shares so offered will be described in the applicable prospectus supplement. To the extent that any particular terms of the depositary shares, deposit agreements and depositary receipts described in a prospectus supplement differ from any of the terms described below, then the terms described below will be deemed to have been superseded by that prospectus supplement. We encourage you to read the applicable deposit agreement and depositary receipts for additional information before you decide whether to purchase any of our depositary shares.

In connection with the issuance of any depositary shares, we will enter into a deposit agreement with a bank or trust company, as depositary, which will be named in the applicable prospectus supplement. Depositary shares will be evidenced by depositary receipts issued pursuant to the related deposit agreement. Immediately following our issuance of the security related to the depositary shares, we will deposit the shares of our preferred stock with the relevant depositary and will cause the depositary to issue, on our behalf, the related depositary receipts. Subject to the terms of the deposit agreement, each owner of a depositary receipt will be entitled, in proportion to the fractional interest in the share of preferred stock represented by the related depositary share, to all the rights, preferences and privileges of, and will be subject to all of the limitations and restrictions on, the preferred stock represented by the depositary receipt (including, if applicable, dividend, voting, conversion, exchange, redemption, sinking fund, subscription and liquidation rights). To the extent appropriate, the applicable prospectus supplement will describe the specific terms of the depositary shares offered thereby. The terms of any offered depositary shares will be described in a supplement to this prospectus.

DESCRIPTION OF WARRANTS

We may issue warrants to purchase debt securities, common stock, preferred stock, depositary shares, or any combination thereof, with or without the payment of separate consideration therefor (including by means of a dividend or similar distribution to holders of our outstanding securities). We may issue warrants independently or together with any other securities offered by a prospectus supplement. Warrants may be attached to or separate from such securities and may or may not be transferable. Each series of warrants will be issued under a separate warrant agreement we will enter into with a warrant agent specified in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants of a particular series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. In connection with any warrants, we may enter into a standby underwriting agreement with one or more underwriters pursuant to which the underwriters will agree to purchase any securities underlying such warrants that remain unpurchased upon the expiration of such warrants. To the extent appropriate, the applicable prospectus supplement will describe the specific terms of the warrants offered thereby.

DESCRIPTION OF RIGHTS

We may issue subscription rights to purchase shares of our common stock or preferred stock. These subscription rights may be issued independently or together with any other security offered hereby and may or may not be transferable by the stockholder receiving the subscription rights in such offering. In connection with any offering of subscription rights, we may enter into a standby arrangement with one or more underwriters or other investors pursuant to which the underwriters or other investors may be required to purchase any securities remaining unsubscribed for after such offering. To the extent appropriate, the applicable prospectus supplement will describe the

specific terms of the rights offered thereby.

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DESCRIPTION OF PURCHASE CONTRACTS

We may issue purchase contracts, including contracts obligating holders to purchase from us, and for us to sell to holders, a specific or varying number of debt securities, shares of our common stock or preferred stock, depositary shares, warrants, rights or other property or any combination of the above, at a future date or dates. Alternatively, the purchase contracts may obligate us to purchase from holders, and obligate holders to sell to us, a specific or varying number of debt securities, shares of our common stock or preferred stock, depositary shares, warrants, rights or other property. The price of such debt securities, shares of our common stock or preferred stock, depositary shares, warrants, rights or other property may be fixed at the time the purchase contracts are issued or may be determined by reference to a specific formula described in the purchase contracts. We may issue purchase contracts separately or as a part of units each consisting of a purchase contract and one or more of our other securities described in this prospectus or debt obligations of third parties, such as U.S. Treasury securities, securing the holder's obligations under the purchase contract. The purchase contracts may require us to make periodic payments to holders or vice versa and the payments may be unsecured or pre-funded on some basis. The purchase contracts may require holders to secure the holder's obligations in a specified manner that we will file with the SEC in connection with a public offering relating to the purchase contracts. To the extent appropriate, the applicable prospectus supplement will describe the specific terms of the purchase contracts offered thereby.

DESCRIPTION OF UNITS

We may issue units comprising one or more securities described in this prospectus in any combination. Units may also include debt obligations of third parties, such as U.S. Treasury securities. Each unit may be issued so that the holder of the unit also is the holder of each security included in the unit. Thus, the unit may have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately at any time or at any time before a specified date. To the extent appropriate, the applicable prospectus supplement will describe the specific terms of the units offered thereby.

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BOOK-ENTRY SYSTEM

Unless otherwise specified in the applicable prospectus supplement, each series of securities offered by this prospectus will be issued as fully-registered global securities representing all or part of that series of securities. This means that we will not issue certificates for that series of securities to the holders. Instead, a global security representing that series of securities will be deposited with, or on behalf of, DTC or its successor, as the depository. The global securities will be registered at the request of DTC in the name of Cede & Co., DTC's nominee, or such other name as may be requested by an authorized representative of DTC.

DTC will keep an electronic record of its participants (for example, your broker) whose clients have purchased securities represented by a global security. Unless a global security is exchanged in whole or in part for a certificated security, a global security may not be transferred, except that DTC, its nominees and successors may transfer a global security as a whole to one another.

Beneficial interests in global securities will be shown on, and transfers of interests will be made only through, records maintained by DTC and its participants. The laws of some jurisdictions require that some purchasers take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

We will make payments of principal, interest, if any, and premium, if any, to DTC or its nominee. We, the applicable trustee and any paying agent will treat DTC or its nominee as the owner of the global security for all purposes, including any notices and voting. Accordingly, neither we nor any trustee nor any paying agent will have any direct responsibility or liability to pay amounts due on a global security to owners of beneficial interests in a global security.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, or direct participants, deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between direct participants accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant either directly or indirectly, an indirect participant. Direct participants and indirect participants are referred to collectively as participants. The DTC Rules applicable to its participants are on file with the SEC.

Purchases of global securities under the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the global securities are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in

the global securities, except in the event that use of the book-entry system for the global securities is discontinued.

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To facilitate subsequent transfers, all securities deposited by direct participants with DTC are registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities. DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The direct and indirect participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

If a particular series of securities is redeemable at our option or at the option of the holder, redemption notices will be sent to DTC. If less than all of the securities of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such series to be redeemed. Redemption proceeds and distributions on global securities will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. Upon DTC's receipt of funds and corresponding detail information from us, any trustee or any paying agent, DTC's practice is to credit direct participants' accounts in accordance with the holdings information shown on DTC's records on the payment date. Payments by participants to beneficial owners of securities will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name. Payments will be the responsibility of such participant and not of DTC nor its nominee, any trustee, any paying agent or us, subject to any statutory or regulatory requirements. Payment of redemption proceeds and distributions to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC is the responsibility of us, the applicable trustee or the applicable paying agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

Neither DTC nor Cede & Co. or any other DTC nominee will consent or vote with respect to global securities unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the record date as identified in a listing attached to the omnibus proxy.

Global securities will be exchangeable for corresponding certificated securities registered in the name of persons other than DTC or its nominee if (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for any of the global securities or (b) at any time ceases to be a clearing agency registered under the Exchange Act, (2) an event of default occurs and is continuing with respect to the applicable series of securities or (3) we execute and deliver to the applicable trustee an order that the global securities will be so exchangeable.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and we and any underwriters, dealers or agents are not responsible for the accuracy of the information or for the performance by DTC of its obligations under the rules and procedures governing its operations or otherwise.

Any underwriters, dealers or agents of any securities may be direct participants of DTC.

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PLAN OF DISTRIBUTION

We may sell the offered securities (a) through agents; (b) through underwriters or dealers; (c) directly to one or more purchasers; or (d) through a combination of any of these methods of sale. We will identify the specific plan of distribution, including any underwriters, dealers, agents or direct purchasers and their compensation in a prospectus supplement.

LEGAL OPINIONS

Unless otherwise indicated in the applicable prospectus supplement, legal opinions relating to the validity of the securities being offered by this prospectus will be rendered by our counsel, Scott M. Wilensky, Minneapolis, Minnesota. Unless otherwise indicated in the applicable prospectus supplement, certain other legal matters will be passed upon for us by Jones Day, Chicago, Illinois. Unless otherwise indicated in the applicable supplement, certain legal matters will be passed upon for the underwriters, dealers or agents named in the prospectus supplement by Hunton Andrews Kurth LLP, New York, New York. Scott M. Wilensky is our Executive Vice President and General Counsel and is the beneficial owner of less than 1% of our common stock.

EXPERTS

The consolidated financial statements, and the related financial statement schedules, incorporated in this prospectus by reference from Xcel Energy Inc.'s Annual Report on Form 10-K, and the effectiveness of the Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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\$400,000,000

Common Stock

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

Morgan Stanley

Wells Fargo Securities

November , 2018

Value

Unit (1)

Volumes

Measure

Value

Unit (1)

Inventory

Crude oil

5,484

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barrels

\$

471

\$

85.89

9,492

barrels

\$

737

\$

77.64

NGL

8,366

barrels

316

\$

37.77

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113

	9,472
barrels	
	388
\$	
	40.96
Natural gas	
	23,058
Mcf	
	78
\$	
	3.38
	20,374
Mcf	
	60
\$	
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2.94

Other

N/A

27

N/A

N/A

24

N/A

Inventory subtotal

892

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115

Linefill and base gas

Crude oil

10,026

barrels

585

\$

58.35

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117

	9,919
barrels	
	583
\$	
	58.78
NGL	
	1,358
barrels	
	64
\$	
	47.13
	1,400
barrels	
	70
\$	
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	50.00
Natural gas	
	16,965
Mcf	
	58
\$	
	3.42
	15,755
Mcf	
	54
\$	
	3.43
Linefill and base gas subtotal	

Long-term inventory

Crude oil

2,038

barrels

157

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121

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\$	77.04
	1,962
barrels	
	149
\$	75.94
NGL	
	1,162
barrels	
	50
\$	43.03
	3,238
barrels	
	125
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\$

38.60

Long-term inventory subtotal

207

274

Total

\$

1,806

\$

(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.

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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. During the second quarter of 2012, we recorded a non-cash charge of approximately \$121 million related to the writedown of our crude oil and NGL inventory due to declines in prices during the period. The recognition of this adjustment, which is a component of Purchases and related costs in our accompanying condensed consolidated statement of operations, was substantially offset by the recognition of unrealized gains on derivative instruments being utilized to hedge the future sales of our crude oil and NGL inventory. Substantially all of such unrealized gains were recorded to Supply and Logistics segment revenues on our condensed consolidated statement of operations. See Note 11 for discussion of our derivative and risk management activities. We did not recognize any writedowns of inventory during 2013.

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:				
Foreign currency translation adjustments	(16)	(7)	(4)	(27)
Purchase price accounting adjustments and other (1)	(5)			(5)
Balance at June 30, 2013	\$ 876	\$ 1,164	\$ 463	\$ 2,503

(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):

	June 30, 2013	December 31, 2012
SHORT-TERM DEBT		
Credit Facilities :		
PAA senior secured hedged inventory facility, bearing a weighted-average interest rate of 1.3% and 1.6% at June 30, 2013 and December 31, 2012, respectively	\$ 575	\$ 665
PAA senior unsecured revolving credit facility, bearing a weighted-average interest rate of 3.2% and 2.4% at June 30, 2013 and December 31, 2012, respectively (1)	25	92
	49	77

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PNG senior unsecured revolving credit facility, bearing a weighted-average interest rate of 2.0% and 2.1% at June 30, 2013 and December 31, 2012, respectively (2)		
5.63% senior notes due December 2013 (3)	250	250
Other	3	2
Total short-term debt	902	1,086

LONG-TERM DEBT

Senior notes, net of unamortized discounts of \$14 and \$15 at June 30, 2013 and December 31, 2012, respectively	6,011	6,010
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Credit Facilities and Other:

PNG senior unsecured revolving credit facility, bearing a weighted-average interest rate of 2.0% and 2.1% at June 30, 2013 and December 31, 2012, respectively (2)		
	97	105
PNG GO Bond term loans, bearing a weighted-average interest rate of 1.5% at both June 30, 2013 and December 31, 2012		
	200	200
Other	5	5
Total long-term debt	6,313	6,320
Total debt (1) (2) (4)	\$ 7,215	\$ 7,406

(1) We classify as short-term certain borrowings under our PAA senior unsecured revolving credit 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.

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(2) PNG classifies 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.

(3) Our \$250 million 5.63% senior notes will mature in December 2013 and are thus classified as short-term at June 30, 2013 and December 31, 2012.

(4) Our fixed-rate senior notes (including current maturities) had a face value of approximately \$6.3 billion at both June 30, 2013 and December 31, 2012. We estimated the aggregate fair value of these notes as of June 30, 2013 and December 31, 2012 to be approximately \$6.8 billion and \$7.3 billion, respectively. Our 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 facilities and agreements approximates fair value as interest rates reflect current market rates. The fair value estimates for both our senior notes and credit facilities and agreements are based upon observable market data and are classified within level 2 of the fair value hierarchy.

Borrowings and Repayments under Credit Agreements

Total borrowings under our credit agreements for the six months ended June 30, 2013 and 2012 were approximately \$7.561 billion and \$4.856 billion, respectively. Total repayments under our credit agreements were approximately \$7.747 billion and \$4.511 billion for the six months ended June 30, 2013 and 2012, respectively.

Letters of Credit

In connection with our supply and logistics activities and PNG's 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. At June 30, 2013 and December 31, 2012, we had outstanding letters of credit of approximately \$50 million and \$24 million, respectively.

Note 8 Net Income Per Limited Partner Unit

Basic and diluted net income per limited partner unit is determined pursuant to the two-class method for Master Limited Partnerships as prescribed in the FASB guidance. The two-class method is an earnings allocation formula that is used to determine earnings to our general partner, common unitholders and participating securities according to distributions pertaining to the current period's net income and participation rights in undistributed earnings. Under this method, all earnings are allocated to our general partner, common unitholders and participating securities based on their respective rights to receive distributions, regardless of whether those earnings would actually be distributed during a particular period from an economic or practical perspective.

The Partnership calculates basic and diluted net income per limited partner unit by dividing net income attributable to Plains, after deducting the amount allocated to the general partner's interest, incentive distribution rights (IDRs) and participating securities, by the basic and diluted weighted-average number of limited partner units outstanding during the period. Participating securities include LTIP awards that have vested DERs, which entitle the grantee to a cash payment equal to the cash distribution paid on our outstanding common units.

Diluted net income per limited partner unit is computed based on the weighted average number of units plus the effect of dilutive potential units outstanding during the period using the two-class method. Our LTIP awards that contemplate the issuance of common units are considered dilutive unless (i) vesting occurs only upon the satisfaction of a performance condition and (ii) that performance condition has yet to be satisfied. LTIP awards that are deemed to be dilutive are reduced by a hypothetical unit repurchase based on the remaining unamortized fair value, as prescribed by the treasury stock method in guidance issued by the FASB. See Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for a complete discussion of our LTIP awards including specific discussion regarding DERs.

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The following table sets forth the computation of basic and diluted earnings per limited partner unit for the three and six months ended June 30, 2013 and 2012 (in millions, except per unit data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Basic Net Income per Limited Partner Unit				
Net income attributable to Plains	\$ 292	\$ 378	\$ 821	\$ 609
General partner's incentive distribution ⁽¹⁾	(91)	(69)	(177)	(134)
General partner 2% ownership (1)	(4)	(6)	(13)	(10)
Net income available to limited partners	197	303	631	465
Undistributed earnings allocated and distributions to participating securities (1)	(1)	(2)	(5)	(3)
Net income available to limited partners in accordance with application of the two-class method for MLPs	\$ 196	\$ 301	\$ 626	\$ 462
Basic weighted average number of limited partner units outstanding	340	323	338	319
Basic net income per limited partner unit	\$ 0.58	\$ 0.93	\$ 1.85	\$ 1.45
Diluted Net Income per Limited Partner Unit				
Net income attributable to Plains	\$ 292	\$ 378	\$ 821	\$ 609
General partner's incentive distribution ⁽¹⁾	(91)	(69)	(177)	(134)
General partner 2% ownership (1)	(4)	(6)	(13)	(10)
Net income available to limited partners	197	303	631	465
Undistributed earnings allocated and distributions to participating securities (1)	(1)	(1)	(3)	(2)
Net income available to limited partners in accordance with application of the two-class method for MLPs	\$ 196	\$ 302	\$ 628	\$ 463
Basic weighted average number of limited partner units outstanding	340	323	338	319
Effect of dilutive securities: Weighted average LTIP units	2	3	3	2
Diluted weighted average number of limited partner units outstanding	342	326	341	321
Diluted net income per limited partner unit	\$ 0.57	\$ 0.93	\$ 1.84	\$ 1.44

(1) We calculate net income available to limited partners based on the distributions pertaining to the current period's net income. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, are allocated to the general partner, limited partners and participating securities in accordance with the contractual terms of the partnership agreement and as further prescribed under the two-class method.

The terms of our partnership agreement limit the general partner's incentive distribution to the amount of available cash, which, as defined in the partnership agreement, is net of reserves deemed appropriate. As such, IDRs are not allocated undistributed earnings or distributions in excess of earnings in the calculation of net income per limited partner unit. If, however, undistributed earnings were allocated to our IDRs beyond amounts distributed to them under the terms of the partnership agreement, basic and diluted earnings per limited partner unit as reflected in the table above would be impacted as follows:

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	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012		2013	2012	
Basic net income per limited partner unit impact	\$	\$	(0.19)	\$	\$	(0.18)
Diluted net income per limited partner unit impact	\$	\$	(0.20)	\$	\$	(0.18)

Table of Contents**Note 9 Partners Capital and Distributions*****PAA Distributions***

The following table details the distributions paid during or pertaining to the first six months of 2013, net of reductions to the general partner's incentive distributions (in millions, except per unit amounts):

Date Declared	Date Paid or To Be Paid	Common Units	Distributions Paid General Partner				Total	Distributions per limited partner unit
			Incentive	2%				
July 8, 2013	August 14, 2013 (1)	\$ 201	\$ 91	\$ 4	\$ 296	\$ 0.5875		
April 8, 2013	May 15, 2013	\$ 195	\$ 86	\$ 4	\$ 285	\$ 0.5750		
January 7, 2013	February 14, 2013	\$ 189	\$ 81	\$ 4	\$ 274	\$ 0.5625		

(1) Payable to unitholders of record at the close of business on August 2, 2013, for the period April 1, 2013 through June 30, 2013.

PAA Continuous Offering Programs

On September 13, 2012, we entered into an equity distribution agreement with respect to the offer and sale, through our sales agents, of common units representing limited partner interests having an aggregate offering price of up to \$500 million. The final sales under this equity distribution agreement occurred during May 2013. During the first six months of 2013, we issued an aggregate of approximately 5.1 million common units under this agreement, generating net proceeds of approximately \$283 million, including our general partner's proportionate capital contribution, net of approximately \$3 million of commissions to our sales agents. The net proceeds from sales were used for general partnership purposes.

On May 28, 2013, we entered into an additional equity distribution agreement with several financial institutions pursuant to which we may offer and sell, through our sales agents, common units representing limited partner interests having an aggregate offering price of up to \$750 million. Sales of such common units will be made by means of ordinary brokers' transactions on the NYSE at market prices, in block transactions or as otherwise agreed upon by our sales agent and us. Under the terms of the agreement, we have the option to sell common units to any of our sales agents as principal for its own account at a price to be agreed upon at the time of the sale. For any such sales, we will enter into a separate terms agreement with the sales agent.

Through June 30, 2013, we issued an aggregate of approximately 0.8 million common units under the May 2013 agreement, generating net proceeds of approximately \$48 million, including our general partner's proportionate capital contribution, net of less than \$1 million of commissions to our sales agents. The net proceeds from sales were used for general partnership purposes.

LTIP Vesting

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

Noncontrolling Interests in Subsidiaries

As of June 30, 2013, noncontrolling interests in subsidiaries consisted of (i) an approximate 37% interest in PNG and (ii) a 25% interest in SLC Pipeline LLC.

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 six months of 2013, PNG issued an aggregate of approximately 1.4 million common units under this agreement, generating net proceeds of approximately \$30 million, excluding our proportionate capital contribution for our general partner interest.

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As a result of PNG's common unit issuances under its continuous offering program, we recorded an increase in noncontrolling interest of approximately \$24 million and an increase to our partners' capital of approximately \$6 million. The increases result from the portion of the proceeds attributable to the respective ownership interests in PNG, adjusted for the impact of the dilution of our ownership interest resulting from the issuances.

The following table sets forth the impact upon net income attributable to Plains giving effect to the changes in our ownership interest in PNG, which is recognized in partners' capital (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net income attributable to Plains	\$ 292	\$ 378	\$ 821	\$ 609
Transfers to the noncontrolling interests:				
Increase in capital from sale of PNG units	6		6	
Change from net income attributable to Plains and net transfers to the noncontrolling interests	\$ 298	\$ 378	\$ 827	\$ 609

Noncontrolling Interests Rollforward

The following table reflects the changes in the noncontrolling interests in partners' capital (in millions):

	Six Months Ended June 30,	
	2013	2012
Beginning balance	\$ 509	\$ 524
Net income attributable to noncontrolling interests	16	15
Distributions to noncontrolling interests	(24)	(24)
Equity-indexed compensation expense	2	1
Other comprehensive income/(loss):		
Reclassification adjustments	6	(7)
Net deferred gain/(loss) on cash flow hedges	(2)	1
Issuance of PNG common units	24	
Ending balance	\$ 531	\$ 510

Note 10 Equity-Indexed Compensation Plans

We refer to the PAA and PNG LTIP Plans, Special PAA Awards, PNG Transaction Grants and Class B Units of Plains AAP, L.P. collectively as our Equity-indexed compensation plans. For additional discussion of our equity-indexed compensation plans and awards, see Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K.

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Class B Units of Plains AAP, L.P. The following table contains a summary of Class B Units of Plains AAP, L.P.:

	Reserved for Future Grants	Outstanding	Outstanding Units Earned	Grant Date Fair Value of Outstanding Class B Units (1) (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	26,000		N/A
Balance at June 30, 2013	13,375	186,625	156,250	\$	51

(1) Of the grant date fair value, approximately \$2 million was recognized as expense during the six months ended June 30, 2013.

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Special PAA Awards. In February 2013, we granted 143,000 Special PAA Awards 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 will vest on the date that we pay an annualized distribution of \$2.40 per unit, provided that PNG's quarterly distribution remains at least \$1.43 (annualized) per unit. Any unvested Special PAA Awards that remain outstanding on December 31, 2020 will be forfeited. These awards were granted in conjunction with the cancellation of the Class B Units of PNGS GP LLC, which were terminated in February 2013.

PAA and PNG LTIP Awards. Our 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) (5)	
	Units	Weighted Average Grant Date Fair Value per Unit	Units	Weighted Average Grant Date Fair Value per Unit
Outstanding at December 31, 2012	6.0	\$ 25.55	0.9	\$ 17.49
Granted	4.1	\$ 47.57	0.4	\$ 17.34
Vested	(1.8)	\$ 24.77		\$ 14.77
Cancelled or forfeited	(0.2)	\$ 35.70		\$ 14.40
Outstanding at June 30, 2013	8.1	\$ 36.66	1.3	\$ 17.57

(1) Amounts do not include Class B Units of Plains AAP, L.P.

(2) Amounts include Special PAA Awards.

(3) Approximately 0.5 million common units were issued, net of approximately 0.3 million units withheld for taxes, for PAA units that vested during the six months ended June 30, 2013. The remaining 1.0 million PAA units that vested were settled in cash.

(4) Amounts include PNG Transaction Grants.

(5) Less than 0.1 million PNG common units vested and less than 0.1 million common units were forfeited during the six months ended June 30, 2013.

In February 2013, we granted 2.4 million equity-classified phantom unit awards and 1.5 million liability-classified phantom unit awards under our PAA LTIPs. Substantially all of the equity-classified awards vest as follows: (i) one-third will vest upon the later of the August 2016 distribution date and the date we pay an annualized quarterly distribution of at least \$2.35 per common unit, (ii) one-third will vest upon the later of the August 2017 distribution date and the date we pay an annualized quarterly distribution of at least \$2.50 per common unit, and (iii) one-third will vest upon the later of the August 2018 distribution date and the date we pay an annualized quarterly distribution of at least \$2.65 per unit. Any of these equity-classified awards and associated DERs that have not vested as of the August 2019 distribution date will be forfeited. Substantially all of the liability-classified awards are expected to vest on dates ranging from the August 2015 distribution date to the August 2018 distribution date and vest dependent on PAA paying annualized quarterly distributions ranging from \$2.30 per common unit to \$2.65 per common unit. Certain of these phantom unit awards include DERs that will vest in one-third increments upon achieving distributions of \$2.35, \$2.50 and \$2.65 per common unit, without regard to the minimum service period.

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Other Equity-Indexed Compensation Information. The table below summarizes the expense recognized and the value of vesting (settled both in units and cash) related to our equity-indexed compensation plans and includes both liability-classified and equity-classified awards (in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
Equity-indexed compensation expense	\$	27	\$	20	\$	78	\$	60
LTIP unit-settled vestings (1)	\$	46	\$	33	\$	46	\$	58
LTIP cash-settled vestings	\$	60	\$	29	\$	60	\$	65
DER cash payments	\$	2	\$	2	\$	4	\$	4

(1) For each of the three and six months ended June 30, 2012, approximately \$1 million relates to unit-settled vestings that were settled with PNG common units.

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Note 11 Derivatives and Risk Management Activities

We identify the risks that underlie our core business activities and use risk management strategies to mitigate those risks when we determine that there is value in doing so. Our policy is to use derivative instruments for risk management purposes and not for the purpose of speculating on hydrocarbon commodity (referred to herein as commodity) price changes. We use various derivative instruments to (i) manage our exposure to commodity price risk as well as to optimize our profits, (ii) manage our exposure to interest rate risk and (iii) manage our exposure to currency exchange rate risk. Our commodity risk management policies and procedures are designed to help ensure that our hedging activities address our risks by monitoring our derivative positions, as well as physical volumes, grades, locations, delivery schedules and storage capacity. Our interest rate and currency exchange rate risk management policies and procedures are designed to monitor our derivative positions and ensure that those positions are consistent with our objectives and approved strategies. When we apply hedge accounting, our policy is to formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives used in a transaction are highly effective in offsetting changes in cash flows or the fair value of hedged items.

Commodity Price Risk Hedging

Our core business activities contain certain commodity price-related risks that we manage in various ways, including the use of derivative instruments. Our policy is to (i) only purchase inventory for which we have a market, (ii) structure our sales contracts so that price fluctuations do not materially affect our operating income and (iii) not acquire and hold physical inventory or derivatives for the purpose of speculating on commodity price changes. The material commodity-related risks inherent in our business activities can be divided into the following general categories:

Commodity Purchases and Sales In the normal course of our operations, we purchase and sell commodities. We use derivatives to manage the associated risks and to optimize profits. As of June 30, 2013, net derivative positions related to these activities included:

- An average of 332,800 barrels per day net long position (total of 10.3 million barrels) associated with our crude oil purchases, which was unwound ratably during July 2013 to match monthly average pricing.
- A net short spread position averaging approximately 27,800 barrels per day (total of 11.0 million barrels), which hedges a portion of our anticipated crude oil lease gathering purchases through September 2014. These derivatives are time spreads consisting of offsetting purchases and sales between two different months. Our use of these derivatives does not expose us to outright price risk.
- An average of 13,000 barrels per day (total of 2.0 million barrels) of WTS/WTI crude oil basis futures through December 2013, which hedge anticipated purchases and sales of crude oil. These derivatives are grade spreads between two different grades of crude oil. Our use of these derivatives does not expose us to outright price risk.

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- An average of 3,400 barrels per day (total of 0.5 million barrels) of LLS/WTI crude oil basis futures through December 2013, which hedge anticipated purchases and sales of crude oil. These derivatives are grade spreads between two different grades of crude oil. Our use of these derivatives does not expose us to outright price risk.
- An average of 2,300 barrels per day (total of 1.4 million barrels) of butane/WTI spread positions, which hedge specific butane sales contracts that are priced as a percentage of WTI through March 2015.
- A net long position of approximately 1.9 Bcf through April 2016 related to anticipated base gas requirements.
- A short position of approximately 22.9 Bcf through December 2013 related to anticipated sales of owned natural gas inventory.

Storage Capacity Utilization We own a significant amount of crude oil, NGL and refined products storage capacity other than that used in our transportation operations. This storage may be leased to third parties or utilized in our own supply and logistics activities, including for the storage of inventory in a contango market. For capacity allocated to our supply and logistics operations, we have utilization risk in a backwardated market structure. As of June 30, 2013, we used derivatives to manage the risk of not utilizing approximately 2.4 million barrels per month of storage capacity through December 2013. These positions involve no outright price exposure, but instead enable us to profitably use the capacity to store hedged crude oil.

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Inventory Storage From time to time, we elect to purchase and store crude oil, NGL and refined products inventory in conjunction with our supply and logistics activities. When we purchase and store inventory, we enter into physical sales contracts or use derivatives to mitigate price risk associated with the inventory. As of June 30, 2013, we had derivatives totaling approximately 6.6 million barrels hedging our inventory.

Pipeline Loss Allowance Oil As is common in the pipeline transportation industry, our tariffs incorporate a loss allowance factor that is intended to offset losses due to evaporation, measurement and other losses in transit. We utilize derivative instruments to hedge a portion of the anticipated sales of the allowance oil that is to be collected under our tariffs. As of June 30, 2013, our PLA hedges included (i) a net short position for an average of approximately 1,700 barrels per day (total of 1.6 million barrels) through December 2015, (ii) a long put option position of approximately 0.1 million barrels through December 2013 and (iii) a long call option position of approximately 0.4 million barrels through December 2015.

Natural Gas Processing/NGL Fractionation As part of our supply and logistics activities, we purchase natural gas for processing and NGL mix for fractionation, and we sell the resulting individual specification products (including ethane, propane, butane and condensate). In conjunction with these activities, we hedge the purchase of natural gas and the subsequent sale of the individual specification products. As of June 30, 2013, we had a long natural gas position of approximately 13.7 Bcf through March 2015, a short propane position of approximately 2.4 million barrels through March 2015, a short butane position of approximately 0.7 million barrels through March 2015 and a short WTI position of approximately 0.2 million barrels through March 2015. In addition, we had a long power position of 0.6 million megawatt hours which hedges a portion of our power supply requirements at our natural gas processing and fractionation plants through December 2015.

All of our commodity derivatives that qualify for hedge accounting are designated as cash flow hedges. We have determined that substantially all of our physical purchase and sale agreements qualify for the NPNS exclusion. Physical commodity contracts that meet the definition of a derivative but are ineligible, or not designated, for the NPNS scope exception are recorded on the balance sheet at fair value, with changes in fair value recognized in earnings.

Interest Rate Risk Hedging

We use interest rate derivatives to hedge interest rate risk associated with anticipated debt issuances and outstanding debt instruments. The derivative instruments we use to manage this risk consist primarily of interest rate swaps and treasury locks. As of June 30, 2013, AOCI includes deferred losses of approximately \$90 million that relate to open and terminated interest rate derivatives that were designated for hedge accounting. The terminated interest rate derivatives were cash-settled in connection with the issuance or refinancing of debt agreements. The deferred loss related to these instruments is being amortized to interest expense over the terms of the hedged debt instruments.

We have entered into forward starting interest rate swaps to hedge the underlying benchmark interest rate related to forecasted debt issuances through 2015. The following table summarizes the terms of our forward starting interest rate swaps as of June 30, 2013 (notional amounts in millions):

Hedged Transaction	Number and Types of Derivatives Employed	Notional Amount	Expected Termination Date	Average Rate Locked	Accounting Treatment
Anticipated debt offering		\$ 125	6/16/2014	3.39%	Cash flow hedge

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5 forward starting swaps (30-year)					
Anticipated debt offering	10 forward starting swaps (30-year)	\$	250	6/15/2015	3.60% Cash flow hedge

During June 2011 and August 2011, PNG entered into three interest rate swaps to fix the interest rate on a portion of PNG's outstanding debt. The following table summarizes the terms of these swaps (notional amount in millions):

Hedged Transaction	Number and Types of Derivatives Employed	Notional Amount	Termination Dates	Average Fixed Rate	Accounting Treatment
Floating interest rate payments associated with PNG outstanding debt	3 floating-to-fixed swaps	\$ 100	6/6/2014 8/3/2014	0.95%	Cash flow hedge

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Because a significant portion of our Canadian business is conducted in CAD and, at times, a portion of our debt is denominated in CAD, we use foreign currency derivatives to minimize the risks of unfavorable changes in exchange rates. These instruments include foreign currency exchange contracts and forwards. As of June 30, 2013, AOCI includes net deferred gains of approximately \$3 million that relate to foreign currency derivatives that were designated for hedge accounting.

As of June 30, 2013, our outstanding foreign currency derivatives include derivatives we use to (i) hedge CAD-denominated interest payments on CAD-denominated intercompany notes, (ii) hedge currency exchange risk associated with USD-denominated commodity purchases and sales in Canada and (iii) hedge currency exchange risk created by the use of USD-denominated commodity derivatives to hedge commodity price risk associated with CAD-denominated commodity purchases and sales.

The following table summarizes our open forward exchange contracts as of June 30, 2013 (in millions):

		USD	CAD	Average Exchange Rate USD to CAD
Forward exchange contracts that exchange CAD for USD:				
	2013	\$ 214	\$ 224	\$1.00 - \$1.05
	2014	42	44	\$1.00 - \$1.06
	2015	9	9	\$1.00 - \$1.07
		\$ 265	\$ 277	\$1.00 - \$1.05
Forward exchange contracts that exchange USD for CAD:				
	2013	\$ 209	\$ 216	\$1.00 - \$1.03
	2014	42	43	\$1.00 - \$1.03
	2015	9	9	\$1.00 - \$1.06
		\$ 260	\$ 268	\$1.00 - \$1.03
Net position by currency:				
	2013	\$ 5	\$ 8	
	2014		1	
	2015			
		\$ 5	\$ 9	

Summary of Financial Impact

We record all open derivatives on the balance sheet as either assets or liabilities measured at fair value. Changes in the fair value of derivatives are recognized currently in earnings unless specific hedge accounting criteria are met. For derivatives that qualify as cash flow hedges, changes in fair value of the effective portion of the hedges are deferred in AOCI and recognized in earnings in the periods during which the underlying physical transactions are recognized in earnings. For our interest rate swaps that qualify as fair value hedges, changes in the fair value of the derivatives are recognized in earnings each period. Additionally, the change in fair value of the hedged item, attributable to the hedged risk, is recognized as a basis adjustment to the hedged item and is also recognized in earnings. Derivatives that do not qualify for hedge accounting and

the portion of cash flow hedges that are not highly effective in offsetting changes in cash flows of the hedged items are recognized in earnings each period. Cash settlements associated with our derivative activities are reflected as cash flows from operating activities in our condensed consolidated statements of cash flows.

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A summary of the impact of our derivative activities recognized in earnings for the three and six months ended June 30, 2013 and 2012 is as follows (in millions):

Location of gain/(loss)	Three Months Ended June 30, 2013				Three Months Ended June 30, 2012			
	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge (2)	Total	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge (2)	Total
	Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income			Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income		
Commodity Derivatives								
Supply and Logistics segment revenues	\$ 21	\$	\$ 21	\$ 42	\$ (97)	\$ 1	\$ 199	\$ 103
Facilities segment revenues	(9)			(9)	1			1
Purchases and related costs					37		(1)	36
Field operating costs			4	4			(4)	(4)
Interest Rate Derivatives								
Interest expense	(2)			(2)	(1)	1		
Foreign Currency Derivatives								
Supply and Logistics segment revenues							(1)	(1)
Other income/(expense), net	1			1	1			1
Total Gain/(Loss) on Derivatives Recognized in Net Income	\$ 11	\$	\$ 25	\$ 36	\$ (59)	\$ 2	\$ 193	\$ 136

Location of gain/(loss)	Six Months Ended June 30, 2013				Six Months Ended June 30, 2012			
	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge (2)	Total	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge (2)	Total
	Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income			Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income		
Commodity Derivatives								
Supply and Logistics segment revenues	\$ 29	\$	\$ 59	\$ 88	\$ (59)	\$ (2)	\$ 161	\$ 100

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Facilities segment revenues	(12)	(12)	13	13
Purchases and related costs			41	41
Field operating costs		5	5	(2) (2)
Interest Rate Derivatives				
Interest expense	(3)	(3)	(3)	2 (1)
Foreign Currency Derivatives				
Other income/(expense), net	2	2	2	2
Total Gain/(Loss) on Derivatives Recognized in Net Income	\$ 16	\$ 64	\$ 80	\$ (6) \$ 159 \$ 153

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(1) During the three months ended June 30, 2013, we reclassified gains of approximately \$1 million and \$1 million from AOCI to Supply and Logistics segment revenues and Facilities segment revenues, respectively, as a result of anticipated hedged transactions that are probable of not occurring. During the six months ended June 30, 2013, we reclassified gains of approximately \$3 million and \$1 million from AOCI to Supply and Logistics segment revenues and Facilities segment revenues, respectively, as a result of anticipated hedged transactions that are probable of not occurring. All of our hedged transactions were deemed probable of occurring during the three and six months ended June 30, 2012.

(2) Includes realized and unrealized gains and losses for derivatives that did not qualify or were not designated for hedge accounting during the period.

The following table summarizes the derivative assets and liabilities on our condensed consolidated balance sheet on a gross basis as of June 30, 2013 (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 40	Other current assets	\$ (14)
	Other long-term assets	9	Other long-term assets	(4)
Interest rate derivatives	Other current assets	8	Other current assets	(3)
	Other long-term assets	10	Other long-term assets	(1)
			Other current liabilities	(1)
			Other long-term liabilities	(1)
Total derivatives designated as hedging instruments		\$ 67		\$ (24)
Derivatives not designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 131	Other current assets	\$ (92)
	Other long-term assets	9	Other long-term assets	(2)
	Other current liabilities	1	Other current liabilities	(4)
	Other long-term liabilities	1	Other long-term liabilities	(2)
Foreign currency derivatives			Other current liabilities	(5)
Total derivatives not designated as hedging instruments		\$ 142		\$ (105)
Total derivatives		\$ 209		\$ (129)

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The following table summarizes the derivative assets and liabilities on our condensed consolidated balance sheet on a gross basis as of December 31, 2012 (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 45	Other current assets	\$ (23)
	Other long-term assets	11	Other long-term assets	(1)
Interest rate derivatives			Other long-term liabilities	(38)
Total derivatives designated as hedging instruments		\$ 56		\$ (62)
Derivatives not designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 128	Other current assets	\$ (115)
	Other long-term assets	1	Other long-term assets	(3)
	Other current liabilities	4	Other current liabilities	(7)
	Other long-term liabilities	2	Other long-term liabilities	(2)
Total derivatives not designated as hedging instruments		\$ 135		\$ (127)
Total derivatives		\$ 191		\$ (189)

Our derivative transactions are governed through ISDA (International Swaps and Derivatives Association) master agreements and clearing brokerage agreements. These agreements include stipulations regarding the right of set off in the event that we or our counterparty default on our performance obligations. If a default were to occur, both parties have the right to net amounts payable and receivable into a single net settlement between parties.

Our accounting policy is to offset derivative assets and liabilities executed with the same counterparty when a master netting arrangement exists. Accordingly, we also offset derivative assets and liabilities with amounts associated with cash margin. Our exchange-traded derivatives are transacted through clearing brokerage accounts and are subject to margin requirements as established by the respective exchange. On a daily basis, our account equity (consisting of the sum of our cash balance and the fair value of our open derivatives) is compared to our initial margin requirement resulting in the payment or return of variation margin. As of June 30, 2013, we had a net broker receivable of approximately \$70 million (consisting of initial margin of \$78 million reduced by \$8 million of variation margin that had been returned to us). As of December 31, 2012, we had a net broker receivable of approximately \$41 million (consisting of initial margin of \$69 million reduced by \$28 million of variation margin that had been returned to us).

The following tables present information about derivatives and financial assets and liabilities that are subject to offsetting, including enforceable master netting arrangements at June 30, 2013 and December 31, 2012 (in millions):

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	June 30, 2013		December 31, 2012	
	Derivative Asset Positions	Derivative Liability Positions	Derivative Asset Positions	Derivative Liability Positions
Netting Adjustments:				
Gross position - asset/(liability)	\$ 209	\$ (129)	\$ 191	\$ (189)
Netting adjustment	(118)	118	(148)	148
Cash collateral paid/(received)	70		41	
Net position - asset/(liability)	\$ 161	\$ (11)	\$ 84	\$ (41)
Balance Sheet Location After Netting Adjustments:				
Other current assets	\$ 140	\$	\$ 76	\$
Other long-term assets	21		8	
Other current liabilities		(9)		(3)
Other long-term liabilities		(2)		(38)
	\$ 161	\$ (11)	\$ 84	\$ (41)

As of June 30, 2013, there was a net loss of approximately \$74 million deferred in AOCI including tax effects. The deferred net loss recorded in AOCI is expected to be reclassified to future earnings contemporaneously with (i) the earnings recognition of the underlying hedged commodity transaction, (ii) interest expense accruals associated with underlying debt instruments or (iii) the recognition of a foreign currency gain or loss upon the remeasurement of certain CAD-denominated intercompany balances. Of the total net loss deferred in AOCI at June 30, 2013, we expect to reclassify a net gain of approximately \$14 million to earnings in the next twelve months. Of the remaining deferred loss in AOCI, a net gain of approximately \$1 million is expected to be reclassified to earnings prior to 2016 with the remaining deferred loss of approximately \$89 million being reclassified to earnings through 2045. A portion of these amounts are based on market prices as of June 30, 2013; thus, actual amounts to be reclassified will differ and could vary materially as a result of changes in market conditions.

The net deferred gain/(loss), including tax effects, recognized in AOCI for derivatives during the three and six months ended June 30, 2013 and 2012 are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Commodity derivatives, net	\$ 3	\$ (25)	\$ 11	\$
Interest rate derivatives, net	32	(79)	51	(28)
Total	\$ 35	\$ (104)	\$ 62	\$ (28)

At June 30, 2013 and December 31, 2012, none of our outstanding derivatives contained credit-risk related contingent features that would result in a material adverse impact to us upon any change in our credit ratings. Although we may be required to post margin on our cleared derivatives as described above, we do not require our non-cleared derivative counterparties to post collateral with us.

Recurring Fair Value Measurements**Derivative Financial Assets and Liabilities**

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The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 (in millions):

Recurring Fair Value Measures (1)	Fair Value as of June 30, 2013				Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commodity derivatives	\$ 27	\$ 42	\$ 4	\$ 73	\$ 1	\$ 35	\$ 4	\$ 40
Interest rate derivatives		12		12		(38)		(38)
Foreign currency derivatives		(5)		(5)				
Total	\$ 27	\$ 49	\$ 4	\$ 80	\$ 1	\$ (3)	\$ 4	\$ 2

(1) Derivative assets and liabilities are presented above on a net basis but do not include related cash margin deposits.

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Level 1 of the fair value hierarchy includes exchange-traded commodity derivatives such as futures and options. The fair value of exchange-traded commodity derivatives is based on unadjusted quoted prices in active markets.

Level 2

Level 2 of the fair value hierarchy includes exchange-cleared commodity derivatives and over-the-counter commodity, interest rate and foreign currency derivatives that are traded in active markets. The fair value of these derivatives is based on broker price quotations which are corroborated with market observable inputs.

Level 3

Level 3 of the fair value hierarchy includes over-the-counter commodity derivatives that are traded in markets that are active but not sufficiently active to warrant level 2 classification in our judgment and certain physical commodity contracts. The fair value of our level 3 over-the-counter commodity derivatives is based on broker price quotations. The fair value of our level 3 physical commodity contracts is based on a valuation model utilizing broker-quoted forward commodity prices, and timing estimates, which involve management judgment. The significant unobservable inputs used in the fair value measurement of our level 3 derivatives are forward prices obtained from brokers. A significant increase (decrease) in these forward prices would result in a proportionately lower (higher) fair value measurement.

Rollforward of Level 3 Net Asset/(Liability)

The following table provides a reconciliation of changes in fair value of the beginning and ending balances for our derivatives classified as level 3 (in millions):

	Three Months Ended				Six Months Ended			
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
Beginning Balance	\$	1	\$	2	\$	4	\$	12
Unrealized gains/(losses):								
Included in earnings (1)		1		12		1		8
Included in other comprehensive income								3
Settlements				(2)		(3)		(14)
Derivatives entered into during the period		2		19		2		22
Transfers out of level 3				5				5
Ending Balance	\$	4	\$	36	\$	4	\$	36

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Change in unrealized gains/(losses) included in earnings relating to level 3 derivatives still held at the end of the periods

\$	3	\$	31	\$	3	\$	33
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(1) We reported unrealized gains and losses associated with level 3 commodity derivatives in our condensed consolidated statements of operations as Supply and Logistics segment revenues.

During the second quarter of 2012, we transferred commodity derivatives with an aggregate fair value of a \$5 million loss from level 3 to level 2. These derivatives consist of NGL derivatives that are cleared through the CME Clearport platform. This transfer resulted from additional analysis regarding the CME's pricing methodology. Our policy is to recognize transfers between levels as of the beginning of the reporting period in which the transfer occurred.

We believe that a proper analysis of our level 3 gains or losses must incorporate the understanding that these items are generally used to hedge our commodity price risk, interest rate risk and foreign currency exchange risk and will therefore be offset by gains or losses on the underlying transactions.

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Note 12 Commitments and Contingencies

Litigation

General. In the ordinary course of business, we are involved in various legal proceedings. To the extent we are able to assess the likelihood of a negative outcome for these proceedings, our assessments of such likelihood range from remote to probable. If we determine that a negative outcome is probable and the amount of loss is reasonably estimable, we accrue the estimated amount. We do not believe that the outcome of these legal proceedings, individually or in the aggregate and including the general and environmental legal proceedings described below, will have a material adverse effect on our financial condition, results of operations or cash flows.

Pemex Exploración y Producción v. Big Star Gathering Ltd L.L.P. et al. In two cases filed in the Texas Southern District Court in May 2011 and April 2012, Pemex Exploración y Producción (PEP) alleges that certain parties stole condensate from pipelines and gathering stations and conspired with U.S. companies (primarily in Texas) to import and market the stolen condensate. PEP does not allege that Plains was part of any conspiracy, but that it dealt in the condensate only after it had been obtained by others and resold to Plains Marketing, L.P. PEP seeks actual damages, attorney's fees, and statutory penalties from Plains Marketing, L.P. At a hearing held on October 20, 2011, the Court ruled that Texas law (not Mexican law) governs the actions. In February 2013, the Court granted Plains Marketing, L.P.'s motion to be dismissed from the April 2012 lawsuit and Plains Marketing, L.P. filed a motion for summary judgment in the May 2011 lawsuit.

Environmental

General. Although we believe that our efforts to enhance our leak prevention and detection capabilities have produced positive results, we have experienced (and likely will experience future) releases of hydrocarbon products into the environment from our pipeline and storage operations. These releases can result from unpredictable man-made or natural forces and may reach navigable waters or other sensitive environments. Whether current or past, damages and liabilities associated with any such releases from our assets may substantially affect our business.

At June 30, 2013, our estimated undiscounted reserve for environmental liabilities totaled approximately \$110 million, of which approximately \$17 million was classified as short-term and approximately \$93 million was classified as long-term. At December 31, 2012, our reserve for environmental liabilities totaled approximately \$96 million, of which approximately \$13 million was classified as short-term and approximately \$83 million was classified as long-term. The short- and long-term environmental liabilities referenced above are reflected in Accounts payable and accrued liabilities and Other long-term liabilities and deferred credits, respectively, on our condensed consolidated balance sheets. At June 30, 2013 and December 31, 2012, we had recorded receivables totaling approximately \$15 million and \$42 million, respectively, for amounts probable of recovery under insurance and from third parties under indemnification agreements, which are predominantly reflected in Trade accounts receivable and other receivables, net on our condensed consolidated balance sheets.

In some cases, the actual cash expenditures may not occur for three to five years. Our estimates used in these reserves are based on information currently available to us and our assessment of the ultimate outcome. Among the many uncertainties that impact our estimates are the necessary regulatory approvals for, and potential modification of, our remediation plans, the limited amount of data available upon initial assessment of the impact of soil or water contamination, changes in costs associated with environmental remediation services and equipment and the possibility of existing legal claims giving rise to additional liabilities. Therefore, although we believe that the reserve is adequate, costs incurred may be in

excess of the reserve and may potentially have a material adverse effect on our financial condition, results of operations or cash flows.

Rainbow Pipeline Release. On April 29, 2011, we experienced a crude oil release of approximately 28,000 barrels of crude oil on a remote section of our Rainbow Pipeline located in Alberta, Canada. Since the release and through June 30, 2013, we spent approximately \$70 million, before insurance recoveries, in connection with site clean-up, reclamation and remediation activities, and as of June 30, 2013, we did not have any material outstanding liabilities or insurance receivables relating to this release. On February 26, 2013, the Alberta Energy Regulator (formerly known as the Energy Resources Conservation Board of Alberta) (AER) issued a report detailing four enforcement actions against Plains Midstream Canada ULC (PMC) for failure to comply with certain regulatory requirements in connection with the release, including requirements related to operations and maintenance procedures, leak detection and response, backfill and compaction procedures and emergency response plan testing. PMC is in the process of taking appropriate actions necessary to respond to and comply with the enforcement actions set forth in the report, including the implementation of additional risk assessment procedures and the taking of other actions designed to minimize the risk that similar incidents occur in the future and enhance the effectiveness of PMC 's response to any such future incidents. In addition, on April 23, 2013, the Alberta Crown Prosecutor filed civil charges under the Environmental Protection and Enhancement Act against PMC relating to the release. To date, PMC has not been assessed any fines or penalties related to this release; however, such fines or penalties may be assessed in the future and are not reasonably estimable at this time.

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Rangeland Pipeline Release. On June 7, 2012, we experienced a crude oil release on a section of our Rangeland Pipeline located near Sundre, Alberta, Canada. Approximately 3,000 barrels were released into the Red Deer River and were contained downstream in the Gleniffer Reservoir. Remediation activities in the reservoir area were completed by June 30, 2012, remediation of the remaining impacted areas was completed by September 30, 2012 and interim closure was received from the applicable regulatory agencies. Ongoing monitoring will continue into 2013, and a long-term monitoring plan, if required, will be developed and implemented in accordance with regulatory requirements. Through June 30, 2013, we spent approximately \$45 million, before insurance recoveries, in connection with site clean-up, reclamation and remediation activities, and as of June 30, 2013, we did not have any material outstanding liabilities or insurance receivables relating to this release. This release is currently under investigation by the AER, which is also performing a full audit of PMC's operations. Although the AER's final investigation is not complete, on July 4, 2013, the AER issued a report detailing four enforcement actions against PMC citing failure to inspect water crossings, failure to complete an engineering assessment to determine suitability of continued operation of the Rangeland Pipeline, failure to maintain updated emergency response plans, and failure to conduct regular public awareness programs. The AER also issued an order under Section 22 of the Oil and Gas Conservation Act imposing additional regulatory requirements on PMC with respect to obtaining operating approvals under such Act during the pendency of the AER's audit. To date, no fines or penalties have been assessed against PMC with respect to this release; however, it is possible that fines or penalties may be assessed against PMC in the future and are not reasonably estimable at this time.

Bay Springs Pipeline Release. On February 5, 2013, we experienced a crude oil release of approximately 120 barrels on a portion of one of our pipelines near Bay Springs, Mississippi. Most of the released oil was contained within our pipeline right of way, but some of the released oil entered a nearby waterway where it was contained with booms. The EPA has issued an administrative order requiring us to take various actions in response to the release, including remediation, reporting and other actions, and we may be subjected to a civil penalty. The aggregate cost to clean up and remediate the site was approximately \$6 million, which has been recognized in Field operating costs on our condensed consolidated statement of operations.

Kemp River Pipeline Release. During May and June 2013, two separate events occurred on our Kemp River pipeline in Northern Alberta, Canada that, in the aggregate, resulted in the estimated release of approximately 1,250 barrels of condensate. Clean-up and remediation activities are being conducted in cooperation with the applicable regulatory agencies. We estimate that the aggregate clean-up and remediation costs associated with these releases will be approximately \$15 million which we have accrued to Field operating costs on our condensed consolidated statement of operations.

Note 13 Operating Segments

We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics. Our Chief Operating Decision Maker (our Chief Executive Officer) evaluates segment performance based on measures including segment profit and maintenance capital investment. We define segment profit as revenues and equity earnings in unconsolidated entities less (i) purchases and related costs, (ii) field operating costs and (iii) segment general and administrative expenses. Each of the items above excludes depreciation and amortization. The following table reflects certain financial data for each segment for the periods indicated (in millions):

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	Transportation	Facilities	Supply and Logistics	Total
Three Months Ended June 30, 2013				
Revenues:				
External Customers	\$ 165	\$ 197	\$ 9,933	\$ 10,295
Intersegment (1)	200	151	1	352
Total revenues of reportable segments	\$ 365	\$ 348	\$ 9,934	\$ 10,647
Equity earnings in unconsolidated entities	\$ 11	\$	\$	\$ 11
Segment profit (2) (3)	\$ 160	\$ 149	\$ 176	\$ 485
Maintenance capital	\$ 23	\$ 11	\$ 5	\$ 39
Three Months Ended June 30, 2012				
Revenues:				
External Customers	\$ 158	\$ 186	\$ 9,442	\$ 9,786
Intersegment (1)	203	101		304
Total revenues of reportable segments	\$ 361	\$ 287	\$ 9,442	\$ 10,090
Equity earnings in unconsolidated entities	\$ 9	\$	\$	\$ 9
Segment profit (2) (3)	\$ 169	\$ 114	\$ 274	\$ 557
Maintenance capital	\$ 27	\$ 10	\$ 3	\$ 40

	Transportation	Facilities	Supply and Logistics	Total
Six Months Ended June 30, 2013				
Revenues:				
External Customers	\$ 338	\$ 420	\$ 20,157	\$ 20,915
Intersegment (1)	394	283	1	678
Total revenues of reportable segments	\$ 732	\$ 703	\$ 20,158	\$ 21,593
Equity earnings in unconsolidated entities	\$ 23	\$	\$	\$ 23
Segment profit (2) (3)	\$ 323	\$ 300	\$ 610	\$ 1,233
Maintenance capital	\$ 55	\$ 18	\$ 9	\$ 82
Six Months Ended June 30, 2012				
Revenues:				
External Customers	\$ 307	\$ 378	\$ 18,319	\$ 19,004
Intersegment (1)	371	145		516
Total revenues of reportable segments	\$ 678	\$ 523	\$ 18,319	\$ 19,520
Equity earnings in unconsolidated entities	\$ 16	\$	\$	\$ 16
Segment profit (2) (3)	\$ 332	\$ 204	\$ 402	\$ 938
Maintenance capital	\$ 52	\$ 17	\$ 7	\$ 76

(1) Segment revenues and purchases and related costs include intersegment amounts. Intersegment sales are conducted at posted tariff rates, rates similar to those charged to third parties or rates that we believe approximate market. For further discussion, see Analysis of Operating Segments under Item 7 of our 2012 Annual Report on Form 10-K.

(2) Supply and Logistics segment profit includes interest expense (related to hedged inventory) of approximately \$5 million and \$4 million for the three months ended June 30, 2013 and 2012, respectively, and approximately \$10 million and \$6 million for the six months ended June 30, 2013 and 2012, respectively.

(3) The following table reconciles segment profit to net income attributable to Plains (in millions):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Segment profit	\$ 485	\$ 557	\$ 1,233	\$ 938
Depreciation and amortization	(91)	(86)	(173)	(146)
Interest expense	(75)	(75)	(152)	(140)
Other income/(expense), net	(1)		(1)	2
Income tax expense	(18)	(10)	(70)	(30)
Net income	300	386	837	624
Net income attributable to noncontrolling interests	(8)	(8)	(16)	(15)
Net income attributable to Plains	\$ 292	\$ 378	\$ 821	\$ 609

Note 14 Related Party Transactions

See Note 14 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for a complete discussion of our related party transactions.

Occidental Petroleum Corporation

As of June 30, 2013, a subsidiary of Occidental Petroleum Corporation (Oxy) owned approximately 35% of our general partner interest and had a representative on the board of directors of Plains All American GP LLC. During the three and six months ended June 30, 2013 and 2012, we recognized sales and transportation revenues and purchased petroleum products from companies affiliated with Oxy. These transactions were conducted at posted tariff rates or prices that we believe approximate market. See detail below (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 424	\$ 597	\$ 694	\$ 1,051
Purchases and related costs	\$ 214	\$ 130	\$ 375	\$ 278

We currently have a netting arrangement with Oxy. Our gross receivable and payable amounts with affiliates of Oxy were as follows (in millions):

	June 30, 2013	December 31, 2012
Trade accounts receivable and other receivables	\$ 276	\$ 231
Accounts payable	\$ 192	\$ 129

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Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Introduction

The following discussion is intended to provide investors with an understanding of our financial condition and results of our operations and should be read in conjunction with our historical consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations as presented in our 2012 Annual Report on Form 10-K. For more detailed information regarding the basis of presentation for the following financial information, see the condensed consolidated financial statements and related notes that are contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Our discussion and analysis includes the following:

- Executive Summary

- Acquisitions and Internal Growth Projects

- Results of Operations

- Liquidity and Capital Resources

- Off-Balance Sheet Arrangements

- Recent Accounting Pronouncements

- Critical Accounting Policies and Estimates

- Forward-Looking Statements

Executive Summary

Company Overview

We engage in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as the processing, transportation, fractionation, storage and marketing of NGL. Through our general partner interest and majority equity ownership position in PAA Natural Gas Storage, L.P., we also own and operate natural gas storage facilities. We were formed in 1998, and our operations are conducted directly and indirectly through our operating subsidiaries and are managed through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics.

Overview of Operating Results, Capital Investments and Significant Activities

During the first six months of 2013, net income attributable to Plains was approximately \$821 million, or \$1.84 per diluted limited partner unit, as compared to net income attributable to Plains of approximately \$609 million, or \$1.44 per diluted limited partner unit, recognized during the first six months of 2012. Major items impacting the favorable performance between periods include contributions from the BP NGL and USD Rail Terminal Acquisitions, which were completed in April 2012 and December 2012, respectively, and stronger unit margins in our Supply and Logistics segment.

The stronger unit margins in the Supply and Logistics segment were primarily due to contributions from our NGL marketing operations, which benefited from improved market conditions, as well as additional sales volumes related to the BP NGL Acquisition noted above. To a lesser extent, the stronger unit margins, which included the benefit from favorable location and quality differentials, are associated with the increased production from the development of North American crude oil and liquids-rich resource plays. However, infrastructure additions in many of these resource plays during the second quarter of 2013 began to relieve certain of the logistical challenges that had previously created opportunities for these favorable margins. As the midstream infrastructure in these producing regions continues to be developed, we believe a normalization of these margins will continue to occur as the logistical challenges are addressed.

Table of Contents**Acquisitions and Internal Growth Projects**

The following table summarizes our capital expenditures for acquisitions, internal growth projects and maintenance capital for the periods indicated (in millions):

		Six Months Ended June 30,		
	2013		2012	
Acquisition capital	\$	1	\$	1,656
Internal growth projects		830		511
Maintenance capital		82		76
Total	\$	913	\$	2,243

Internal Growth Projects

The following table summarizes our more notable projects in progress during 2013 and the forecasted expenditures for the year ending December 31, 2013 (in millions):

Projects	2013
Mississippian Lime Pipeline	\$170
Rainbow II Pipeline	135
Yorktown Terminal Projects	100
Gulf Coast Pipeline	95
Eagle Ford Area Pipeline Projects	90
White Cliffs Expansion	90
Rail Terminal Projects (1)	80
Cactus Pipeline	75
Fort Saskatchewan Facility Expansions	75
Eagle Ford JV Project	70
St. James Terminal Projects	55
Western Oklahoma Extension	45
PAA Natural Gas Storage (Multiple Projects)	44
Spraberry Area Pipeline Projects	40
Gulf Coast Gas Processing Facility Enhancements	35
Cushing Terminal Projects	30
Shafter Expansion	25
Other Projects (2)	346
	\$1,600
Potential Adjustments for Timing/Scope Refinement (3)	-\$50 + \$100
Total Projected Expansion Capital Expenditures	\$1,550 - \$1,700

(1) Includes projects located at or near Tampa, CO, Bakersfield, CA and Van Hook, ND.

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(2) Primarily multiple, smaller projects comprised of pipeline connections, upgrades and truck stations, new tank construction and refurbishing, pipeline linefill purchases and carry-over of capital from prior year projects.

(3) Potential variation to current capital costs estimates may result from changes to project design, final cost of materials and labor and timing of incurrence of costs due to uncontrollable factors such as permits, regulatory approvals and weather.

Table of Contents**Results of Operations***Analysis of Operating Segments*

We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics. Our Chief Operating Decision Maker (our Chief Executive Officer) evaluates such segment performance based on a variety of measures including segment profit, segment volumes, segment profit per barrel and maintenance capital investment. See Note 18 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for further discussion of how we evaluate segment performance.

The following table sets forth an overview of our consolidated financial results calculated in accordance with GAAP (in millions, except for per unit amounts):

	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	\$	%	2013	2012	\$	%
Transportation segment profit	\$ 160	\$ 169	\$ (9)	(5)%	\$ 323	\$ 332	\$ (9)	(3)%
Facilities segment profit	149	114	35	31%	300	204	96	47%
Supply and Logistics segment profit	176	274	(98)	(36)%	610	402	208	52%
Total segment profit	485	557	(72)	(13)%	1,233	938	295	31%
Depreciation and amortization	(91)	(86)	(5)	(6)%	(173)	(146)	(27)	(18)%
Interest expense	(75)	(75)		%	(152)	(140)	(12)	(9)%
Other income/(expense), net	(1)		(1)	N/A	(1)	2	(3)	(150)%
Income tax expense	(18)	(10)	(8)	(80)%	(70)	(30)	(40)	(133)%
Net income	300	386	(86)	(22)%	837	624	213	34%
Net income attributable to noncontrolling interests	(8)	(8)		%	(16)	(15)	(1)	(7)%
Net income attributable to Plains	\$ 292	\$ 378	\$ (86)	(23)%	\$ 821	\$ 609	\$ 212	35%
Net income attributable to Plains:								
Basic net income per limited partner unit	\$ 0.58	\$ 0.93	\$ (0.35)	(38)%	\$ 1.85	\$ 1.45	\$ 0.40	28%
Diluted net income per limited partner unit	\$ 0.57	\$ 0.93	\$ (0.36)	(39)%	\$ 1.84	\$ 1.44	\$ 0.40	28%
Basic weighted average units outstanding	340	323	17	5%	338	319	19	6%
Diluted weighted average units outstanding	342	326	16	5%	341	321	20	6%

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with GAAP, management uses additional measures that are known as non-GAAP financial measures in its evaluation of past performance and prospects for the future. The primary measures used by management are adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) and implied distributable cash flow (DCF).

Management believes that the presentation of such additional financial measures provides useful information to investors regarding our performance and results of operations because these measures, when used in conjunction with related GAAP financial measures, (i) provide additional information about our core operating performance and ability to generate and distribute cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) present measurements that investors, rating agencies and debt holders have indicated are useful in assessing us and our results of operations. These measures may exclude, for example, (i) charges for obligations that are expected to be settled with the issuance of equity instruments, (ii) the mark-to-market of derivative instruments that are related to underlying activities in another period (or the reversal of such adjustments from a prior period), (iii) items that are not indicative of our core operating results and business outlook and/or (iv) other items that we believe should be excluded in understanding our core operating performance. We have defined all such items hereinafter as Selected Items Impacting Comparability. These additional financial measures are reconciled to the most directly comparable measures as reported in accordance with GAAP, and should be viewed in addition to, and not in lieu of, our condensed consolidated financial statements and footnotes.

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The following table sets forth non-GAAP financial measures that are reconciled to the most directly comparable GAAP measures (in millions):

	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	\$	%	2013	2012	\$	%
Net income	\$ 300	\$ 386	\$ (86)	(22)%	\$ 837	\$ 624	\$ 213	34%
Add:								
Depreciation and amortization	91	86	(5)	(6)%	173	146	(27)	(18)%
Income tax expense	18	10	(8)	(80)%	70	30	(40)	(133)%
Interest expense	75	75		%	152	140	(12)	(9)%
EBITDA	\$ 484	\$ 557	\$ (73)	(13)%	\$ 1,232	\$ 940	\$ 292	31%
Selected Items Impacting Comparability of EBITDA								
Gains/(losses) from derivative activities net of inventory valuation adjustments(1)	\$ 26	\$ 72	\$ (46)	(64)%	\$ 50	\$ 13	\$ 37	285%
Equity-indexed compensation expense (2)	(16)	(12)	(4)	(33)%	(39)	(38)	(1)	(3)%
Net gain/(loss) on foreign currency revaluation (3)	(4)	(16)	12	75%	4	(16)	20	125%
Significant acquisition-related expenses		(9)	9	100%		(13)	13	100%
Other (4)				%		(1)	1	100%
Selected Items Impacting Comparability of EBITDA	\$ 6	\$ 35	\$ (29)	(83)%	\$ 15	\$ (55)	\$ 70	127%
EBITDA	\$ 484	\$ 557	\$ (73)	(13)%	\$ 1,232	\$ 940	\$ 292	31%
Selected Items Impacting Comparability of EBITDA	(6)	(35)	29	83%	(15)	55	(70)	(127)%
Adjusted EBITDA	\$ 478	\$ 522	\$ (44)	(8)%	\$ 1,217	\$ 995	\$ 222	22%
Adjusted EBITDA	\$ 478	\$ 522	\$ (44)	(8)%	\$ 1,217	\$ 995	\$ 222	22%
Interest expense	(75)	(75)		%	(152)	(140)	(12)	(9)%
Maintenance capital	(39)	(40)	1	3%	(82)	(76)	(6)	(8)%
Current income tax expense	(8)	(6)	(2)	(33)%	(53)	(23)	(30)	(130)%
Equity earnings in unconsolidated entities, net of distributions	(1)	1	(2)	(200)%	(1)		(1)	N/A
Distributions to noncontrolling interests (5)	(13)	(12)	(1)	(8)%	(25)	(24)	(1)	(4)%
Implied DCF	\$ 342	\$ 390	\$ (48)	(12)%	\$ 904	\$ 732	\$ 172	23%

(1) Includes mark-to-market gains and losses resulting from derivative instruments that are related to underlying activities in future periods or the reversal of mark-to-market gains and losses from the prior period, net of inventory valuation adjustments. See Note 11 to our condensed consolidated financial statements for a comprehensive discussion regarding our derivatives and risk management activities.

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(2) Our total equity-indexed compensation expense includes expense associated with awards that will or may be settled in units and awards that will or may be settled in cash. The awards that will or may be settled in units are included in our diluted earnings per unit calculation when the applicable performance criteria have been met. We consider the compensation expense associated with these awards as a selected item impacting comparability as the dilutive impact of the outstanding awards is included in our diluted earnings per unit calculation and the majority of the awards are expected to be settled in units. The compensation expense associated with these awards is shown as a selected item impacting comparability in the table above. The portion of compensation expense associated with awards that are certain to be settled in cash are not considered a selected item impacting comparability. See Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for a comprehensive discussion regarding our equity compensation plans.

(3) During the three and six months ended June 30, 2013 and 2012, there were fluctuations in the value of the Canadian dollar to the U.S dollar, resulting in net gains and losses that were not related to our core operating results for the period and were thus classified as selected items impacting comparability. See Note 11 to our condensed consolidated financial statements for further discussion regarding our currency exchange rate risk hedging activities.

(4) Includes other immaterial selected items impacting comparability.

(5) Includes distributions that pertain to the current period's net income and are paid in the subsequent period.

Table of Contents*Analysis of Operating Segments***Transportation Segment**

Our Transportation segment operations generally consist of fee-based activities associated with transporting crude oil and NGL on pipelines, gathering systems, trucks and barges. The Transportation segment generates revenue through a combination of tariffs, third-party leases of pipeline capacity and other transportation fees.

The following table sets forth our operating results from our Transportation segment for the periods indicated:

Operating Results (1) (in millions, except per barrel amounts)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	\$	%	2013	2012	\$	%
Revenues (1)								
Tariff activities	\$ 310	\$ 314	\$ (4)	(1)%	\$ 629	\$ 591	\$ 38	6%
Trucking	55	47	8	16%	103	87	16	18%
Total transportation revenues	365	361	4	1%	732	678	54	8%
Costs and Expenses (1)								
Trucking costs	(39)	(35)	(4)	(12)%	(74)	(63)	(11)	(18)%
Field operating costs (excluding equity-indexed compensation expense)	(138)	(128)	(10)	(8)%	(270)	(224)	(46)	(21)%
Equity-indexed compensation expense - operations (2)	(4)	(3)	(1)	(33)%	(13)	(10)	(3)	(30)%
Segment general and administrative expenses (3) (excluding equity-indexed compensation expense)	(26)	(28)	2	7%	(49)	(49)		%
Equity-indexed compensation expense - general and administrative (2)	(9)	(7)	(2)	(29)%	(26)	(16)	(10)	(63)%
Equity earnings in unconsolidated entities	11	9	2	22%	23	16	7	44%
Segment profit	\$ 160	\$ 169	\$ (9)	(5)%	\$ 323	\$ 332	\$ (9)	(3)%
Maintenance capital	\$ 23	\$ 27	\$ 4	15%	\$ 55	\$ 52	\$ (3)	(6)%
Segment profit per barrel	\$ 0.49	\$ 0.52	\$ (0.03)	(6)%	\$ 0.49	\$ 0.54	\$ (0.05)	(9)%
Average Daily Volumes								
(in thousands of barrels per day) (4)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Variance Favorable/ (Unfavorable)	
	2013	2012	Volumes	%	2013	2012	Volumes	%
Tariff activities								
Crude Oil Pipelines								
All American	38	31	7	23%	39	28	11	39%
Bakken Area Systems	130	135	(5)	(4)%	127	136	(9)	(7)%

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Basin / Mesa	680	707	(27)	(4)%	702	675	27	4%
Capline	158	149	9	6%	157	136	21	15%
Eagle Ford Area Systems	74	15	59	393%	61	12	49	408%
Line 63 / Line 2000	108	130	(22)	(17)%	113	124	(11)	(9)%
Manito	46	57	(11)	(19)%	46	62	(16)	(26)%
Mid-Continent Area Systems	255	262	(7)	(3)%	261	242	19	8%
Permian Basin Area Systems	548	447	101	23%	513	451	62	14%
Rainbow	125	156	(31)	(20)%	124	149	(25)	(17)%
Rangeland	56	61	(5)	(8)%	62	62		%
Salt Lake City Area Systems	131	157	(26)	(17)%	133	148	(15)	(10)%
South Saskatchewan	33	59	(26)	(44)%	46	60	(14)	(23)%
White Cliffs	21	17	4	24%	21	17	4	24%
Other	766	743	23	3%	763	735	28	4%
NGL Pipelines								
Co-Ed	51	64	(13)	(20)%	54	32	22	69%
Other	165	159	6	4%	186	79	107	135%
Refined Products Pipelines	110	118	(8)	(7)%	105	115	(10)	(9)%
Tariff activities total	3,495	3,467	28	1%	3,513	3,263	250	8%
Trucking	108	96	12	13%	109	102	7	7%
Transportation segment total	3,603	3,563	40	1%	3,622	3,365	257	8%

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- (1) Revenues and costs and expenses include intersegment amounts.

- (2) Equity-indexed compensation expense shown in the table above includes expenses associated with awards that will or may be settled in units and awards that will or may be settled in cash.

- (3) Segment general and administrative expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments. The proportional allocations by segment require judgment by management and are based on the business activities that exist during each period.

- (4) Volumes associated with acquisitions represent total volumes (attributable to our interest) for the number of days we actually owned the assets divided by the number of days in the period.

Tariffs and other fees on our pipeline systems vary by receipt point and delivery point. The segment profit generated by our tariff and other fee-related activities depends on the volumes transported on the pipeline and the level of the tariff and other fees charged as well as the fixed and variable field costs of operating the pipeline. Revenue from our pipeline capacity leases generally reflects a negotiated amount.

The following is a discussion of items impacting Transportation segment profit and segment profit per barrel for the periods indicated:

Operating Revenues and Volumes. As noted in the tables above, our total Transportation segment revenues, net of trucking costs, and volumes remained relatively consistent for the three months ended June 30, 2013 compared to the three months ended June 30, 2012, while net revenues and volumes increased for the six months ended June 30, 2013 compared to the six months ended June 30, 2012. Although total volumes and revenues remained relatively consistent over the three-month comparative periods, we experienced volume and revenue variances among our individual pipelines and pipeline systems. The following factors contributed to the variances in revenues and volumes between the comparative periods and the variances among our individual pipelines and pipeline systems:

- North American Crude Oil Production and Related Expansion Projects For the six-month comparative period, the favorable volume and revenue variances experienced were primarily due to increased producer drilling activities as well as the completion of certain of our expansion projects, most notably on our Basin, Mesa and White Cliffs pipelines and our Permian Basin, Mid-Continent and Eagle Ford Area Systems.

For the three-month comparative period, the favorable volume and revenue variances were primarily on our Permian Basin and Eagle Ford Area Systems and White Cliffs pipeline, while volumes and revenues on our Basin and Mesa pipelines were unfavorable compared to the second quarter of 2012. The Permian Basin Area Systems benefited from increased movements to new third-party pipelines connected to the Gulf Coast; however, these movements caused unfavorable volume and revenue variances on our Basin and Mesa pipelines.

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We estimate that increased production combined with our phased-in expansion projects increased revenues by over \$7 million and \$18 million for the three and six month periods of 2013 over the comparable three and six month 2012 periods, respectively.

- **Rate Changes** Revenues on our pipelines are impacted by various rate changes that occur during the period. These rate changes primarily include the upward indexing of rates on our FERC regulated pipelines, rate increases or decreases on our intrastate and Canadian pipelines or other negotiated rate changes. The upward indexing that was effective July 1, 2012 had a favorable impact on revenues from our FERC regulated pipelines during the quarter and year-to-date periods of 2013 compared to the quarter and year-to-date periods of 2012. Revenues were also favorably impacted by increasing tariff rates on certain of our non-FERC regulated pipelines. We estimate that the collective impact of these favorable rate changes increased revenues by over \$18 million and \$36 million, respectively, for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012.
- **BP NGL Acquisition** We acquired pipelines through the BP NGL Acquisition completed on April 1, 2012. During the first quarter of 2013, we benefited from a full period of ownership of these assets, which contributed approximately \$27 million of aggregate revenues and approximately 264,000 barrels per day during the three-month period ended March 31, 2013.
- **Weather-Related Downtime** During the second quarter of 2013, our Rangeland, South Saskatchewan and Co-Ed pipeline systems in Canada were shut down due to high river flow rates and flooding in the surrounding area. We estimate that the downtime on these pipelines impacted revenues by approximately \$9 million and decreased volumes by approximately 44,000 and 22,000 barrels per day for the three- and six-month periods ended June 30, 2013, respectively.

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- **Rail Impact** For both the three- and six-month comparable periods, volumes on our Bakken Area, Manito and Rainbow systems were negatively impacted by producer decisions to deliver more crude to rail loading facilities in the area. We estimate that the impact to revenues was approximately \$5 million and \$10 million for the three- and six-month periods ended June 30, 2013, respectively, and that volumes decreased by approximately 30,000 to 35,000 barrels per day for each of the respective periods.
- **Loss Allowance Revenue** As is common in the industry, our tariffs incorporate a loss allowance factor that is intended to offset losses due to evaporation, measurement and other losses in transit. We value the variance of allowance volumes to actual losses at the estimated net realizable value (including the impact of gains and losses from derivative-related activities) at the time the variance occurred and the result is recorded as either an increase or decrease to tariff revenues. The loss allowance revenue decreased by approximately \$14 million and \$23 million, respectively, for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012, primarily due to a lower average realized price per barrel (including the impact of gains and losses from derivative-related activities) and lower volumes, during each of the 2013 periods as compared to 2012 periods.

Additional noteworthy volume and revenue variances for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 include (i) increased volumes and revenues on our All American pipeline due to increased production in 2013 and maintenance activities at the production facilities during 2012, (ii) decreases on both the Salt Lake City system and Line 63 due to lower refinery demand for pipeline barrels; however, revenues were consistent with the prior year's quarter due to movements on higher tariff segments on Line 63 and the receipt of contract payments on the Salt Lake City system and (iii) increased trucking volumes and revenues due to increased demand for production transported to rail and hauls from pipeline disruptions.

Field Operating Costs. Field operating costs (excluding equity-indexed compensation expense) increased during the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 primarily due to (i) higher environmental response, remediation and related repair expenses associated with pipeline releases of approximately \$6 million and \$22 million, respectively, for the three and six months ended June 30, 2013 over the three and six months ended June 30, 2012, (ii) higher payroll costs, primarily due to the BP NGL Acquisition, and (iii) approximately \$4 million of cost incurred during the six months ended June 30, 2013 associated with the testing of certain lines that we considered bringing back into service. Excluding the impacts of the environmental response and remediation expenses, field operating costs in general remained relatively consistent on a per barrel basis during the comparable three-and six-month periods.

Equity-Indexed Compensation Expense. Equity-indexed compensation expense increased for the three months ended June 30, 2013 compared to the three months ended June 30, 2012, primarily due to (i) a greater number of units deemed probable of vesting for the three months ended June 30, 2013 than for the three months ended June 30, 2012 and (ii) a higher average fair value per unit in 2013 for those units deemed probable of vesting.

Equity-indexed compensation expense increased for the six months ended June 30, 2013 compared to the six months ended June 30, 2012, primarily due to (i) a more significant impact of the increase in unit price during the first half of 2013 compared to the impact of the increase during the first half of 2012, (ii) a greater number of units deemed probable of vesting for the first half of 2013 compared to the first half of 2012 and (iii) a higher average fair value per unit for those units deemed probable of vesting, partially offset by a less significant impact during the first half of 2013 compared to the increase during the first half of 2012 of the change in assumption of probable distribution levels. See Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for further information regarding our equity compensation plans.

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Maintenance Capital. Maintenance capital consists of capital investments for the replacement of partially or fully depreciated assets in order to maintain the service capability, level of production and/or functionality of our existing assets. The decrease in maintenance capital during the three months ended June 30, 2013 compared to the three months ended June 30, 2012 is primarily due to the reclassification of certain 2012 expansion projects initially classified as maintenance capital. The increase in maintenance capital during the six months ended June 30, 2013 compared to the six months ended June 30, 2012 is primarily due to increased investment on pipeline integrity projects.

Equity Earnings in Unconsolidated Entities. The favorable variance in equity earnings in unconsolidated entities for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 was primarily due to increased earnings from our equity method investments as a result of (i) increased throughput on the White Cliffs pipeline, as discussed above, and (ii) increased capacity related to vessel additions and increased rates on services provided by Settoon Towing.

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Our Facilities segment operations generally consist of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products, natural gas and NGL, NGL fractionation and isomerization services and natural gas and condensate processing services. The Facilities segment generates revenue through a combination of month-to-month and multi-year leases and processing arrangements.

The following table sets forth our operating results from our Facilities segment for the periods indicated:

Operating Results (1) (in millions, except per barrel amounts)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	\$	%	2013	2012	\$	%
Revenues (1)	\$ 262	\$ 225	\$ 37	16%	\$ 529	\$ 390	\$ 139	36%
Natural gas sales (2)	86	62	24	39%	174	133	41	31%
Storage related costs (natural gas related)	(3)	(5)	2	40%	(9)	(12)	3	25%
Natural gas sales costs (2)	(80)	(60)	(20)	(33)%	(165)	(127)	(38)	(30)%
Field operating costs (excluding equity-indexed compensation expense)	(94)	(86)	(8)	(9)%	(180)	(133)	(47)	(35)%
Equity-indexed compensation expense - operations (3)				%	(1)	(1)		%
Segment general and administrative expenses (4) (excluding equity-indexed compensation expense)	(16)	(18)	2	11%	(32)	(32)		%
Equity-indexed compensation expense - general and administrative (3)	(6)	(4)	(2)	(50)%	(16)	(14)	(2)	(14)%
Segment profit	\$ 149	\$ 114	\$ 35	31%	\$ 300	\$ 204	\$ 96	47%
Maintenance capital	\$ 11	\$ 10	\$ (1)	(10)%	\$ 18	\$ 17	\$ (1)	(6)%
Segment profit per barrel	\$ 0.41	\$ 0.35	\$ 0.06	17%	\$ 0.42	\$ 0.34	\$ 0.08	24%

Volumes (5) (6)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	Volumes	%	2013	2012	Volumes	%
Crude oil, refined products and NGL terminalling and storage (average monthly capacity in millions of barrels)	95	93	2	2%	94	85	9	11%
Rail load / unload volumes (average volumes in thousands of barrels per day)	231		231	N/A	223		223	N/A
Natural gas storage (average monthly capacity in billions of cubic feet)	97	80	17	21%	95	78	17	22%
NGL fractionation (average volumes in thousands of barrels per day)	90	108	(18)	(17)%	95	60	35	58%

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Facilities segment total (average monthly volumes in millions of barrels)	121	109	12	11%	120	100	20	20%
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- (1) Revenues and expenses include intersegment amounts.
- (2) Natural gas sales and costs are attributable to the activities performed by PNG's commercial optimization group.
- (3) Equity-indexed compensation expense shown in the table above includes expenses associated with awards that will or may be settled in units and awards that will or may be settled in cash.
- (4) Segment general and administrative expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments. The proportional allocations by segment require judgment by management and are based on the business activities that exist during each period.
- (5) Volumes associated with acquisitions represent total volumes for the number of months we actually owned the assets divided by the number of months in the period.
- (6) Facilities segment total is calculated as the sum of: (i) crude oil, refined products and NGL terminalling and storage capacity; (ii) rail load and unload volumes multiplied by the number of days in the period and divided by the number of months in the period; (iii) natural gas storage capacity divided by 6 to account for the 6:1 mcf of gas to crude Btu equivalent ratio and further divided by 1,000 to convert to monthly volumes in millions; and (iv) NGL fractionation volumes multiplied by the number of days in the period and divided by the number of months in the period.

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The following is a discussion of items impacting Facilities segment profit and segment profit per barrel for the periods indicated:

Operating Revenues and Volumes. As noted in the tables above, our Facilities segment revenues, less storage related costs and natural gas sales costs, and volumes increased for the three and six months ended June 30, 2013 compared to the same periods of 2012. The significant variances in revenues and average monthly volumes between the comparative periods are primarily due to our acquisitions and ongoing expansion activities as discussed below:

- **Rail Terminal Acquisition and Expansion Projects** The USD Rail Terminal Acquisition completed in December 2012 and related internal growth projects completed during the latter portion of 2012 expanded our rail loading and unloading fee-based activities. These rail load and unload activities contributed approximately \$26 million and \$52 million to the increase in total revenues for the three and six months ended June 30, 2013 over the three and six months ended June 30, 2012, respectively, and increased average throughput volumes by approximately 231,000 and 223,000 barrels per day during the respective comparative periods.
- **BP NGL Acquisition** We acquired NGL storage facilities, fractionation plants and related assets through the BP NGL Acquisition completed on April 1, 2012. During the first quarter of 2013, we benefited from a full period of ownership of these assets, which contributed approximately \$66 million of aggregate revenues, 14 million barrels of average monthly capacity of NGL storage capacity, and 87,000 barrels per day of average NGL fractionation throughput during the three-month period ended March 31, 2013. See the bullet point below entitled **Fractionation and Processing Activities** for a discussion of the performance of these assets during the remainder of the 2013 period.
- **Fractionation and Processing Activities** While NGL fractionation volumes decreased for the three months ended June 30, 2013 compared to the same 2012 period largely due to lower supply volumes related to the apportionment of certain third-party pipelines, we experienced favorable results in the aggregate related to these activities. The favorable results related to both our NGL fractionation and gas processing activities of approximately \$15 million for the three months ended June 30, 2013 as compared to the same period ended June 30, 2012 were primarily related to physical processing gains recognized at certain owned facilities.
- **Other Expansion Projects** We estimate that expansion projects that were completed in phases throughout recent years at some of our major terminal locations favorably impacted revenues for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 by approximately \$5 million and \$10 million, respectively. Such projects included completed phases of expansions at our Cushing, Patoka, St. James and Yorktown terminals and new condensate stabilizers at our Gardendale terminal.
- **Natural Gas Storage Activities** While our average monthly natural gas storage capacity increased due to expansions of the Pine Prairie and Southern Pines facilities, decreased storage rates on contracts executed to replace expiring contracts on existing capacity largely offset incremental revenues from our natural gas storage activities.

Field Operating Costs. Field operating costs (excluding equity-indexed compensation expense) increased during the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 due to our growth through acquisitions, primarily the BP NGL and USD Rail Terminal Acquisitions. Additionally, the BP NGL Acquisition assets and operations typically have a higher ratio of operating costs to revenue than our historic operations in this segment.

Equity-Indexed Compensation Expense. On a consolidated basis, equity-indexed compensation expense increased during both the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. See discussion regarding such variances under

Transportation Segment above. Also, see Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for further information regarding our equity compensation plans.

Supply and Logistics Segment

Our revenues from supply and logistics activities reflect the sale of gathered and bulk-purchased crude oil, as well as sales of NGL volumes purchased from suppliers. These revenues also include the sale of additional barrels exchanged through buy/sell arrangements entered into to supplement the margins of the gathered and bulk-purchased volumes. We do not anticipate that future changes in revenues resulting from variances in commodity prices will be a primary driver of segment profit. Generally, we expect our segment profit to increase or decrease directionally with (i) increases or decreases in our Supply and Logistics segment volumes (which consist of lease gathered crude oil purchase volumes, NGL sales volumes and waterborne cargos), (ii) demand for lease gathering services we provide producers and (iii) the overall volatility and strength or weakness of market conditions and the allocation of our assets among our various risk management strategies. In addition, the execution of our risk management strategies in conjunction with our assets can provide upside in certain markets.

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The following table sets forth our operating results from our Supply and Logistics segment for the periods indicated:

Operating Results (1) (in millions, except per barrel amounts)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	\$	%	2013	2012	\$	%
Revenues	\$ 9,934	\$ 9,442	\$ 492	5%	\$ 20,158	\$ 18,319	\$ 1,839	10%
Purchases and related costs (2)	(9,614)	(9,030)	(584)	(6)%	(19,249)	(17,638)	(1,611)	(9)%
Field operating costs (excluding equity-indexed compensation expense)	(109)	(105)	(4)	(4)%	(224)	(207)	(17)	(8)%
Equity-indexed compensation expense - operations (3)	(1)	(1)		%	(2)	(1)	(1)	(100)%
Segment general and administrative expenses (4) (excluding equity-indexed compensation expense)	(27)	(27)		%	(53)	(53)		%
Equity-indexed compensation expense - general and administrative (3)	(7)	(5)	(2)	(40)%	(20)	(18)	(2)	(11)%
Segment profit	\$ 176	\$ 274	\$ (98)	(36)%	\$ 610	\$ 402	\$ 208	52%
Maintenance capital	\$ 5	\$ 3	\$ (2)	(67)%	\$ 9	\$ 7	\$ (2)	(29)%
Segment profit per barrel	\$ 1.89	\$ 3.10	\$ (1.21)	(39)%	\$ 3.11	\$ 2.32	\$ 0.79	34%

Average Daily Volumes (in thousands of barrels per day)	Three Months Ended June 30,		Favorable/ (Unfavorable) Variance		Six Months Ended June 30,		Favorable/ (Unfavorable) Variance	
	2013	2012	Volumes	%	2013	2012	Volumes	%
Crude oil lease gathering purchases	853	814	39	5%	855	806	49	6%
NGL sales	160	153	7	5%	221	144	77	53%
Waterborne cargos	7	4	3	75%	6	2	4	200%
Supply and Logistics segment total	1,020	971	49	5%	1,082	952	130	14%

(1) Revenues and costs include intersegment amounts.

(2) Purchases and related costs include interest expense (related to hedged crude oil and NGL inventory) of approximately \$5 million and \$10 million for the three and six months ended June 30, 2013 compared to \$4 million and \$6 million for the three and six months ended June 30, 2012, respectively.

(3) Equity-indexed compensation expense shown in the table above includes expenses associated with awards that will or may be settled in units and awards that will or may be settled in cash.

(4) Segment general and administrative expenses reflect direct costs attributable to each segment and an allocation of other expenses to the segments. The proportional allocations by segment require judgment by management and are based on the business activities that exist

during each period.

The NYMEX benchmark price of crude oil ranged from approximately \$86 to \$99 per barrel and \$77 to \$106 per barrel during the three months ended June 30, 2013 and 2012, respectively, and from \$86 to \$99 per barrel and \$77 to \$111 per barrel during the six months ended June 30, 2013 and 2012, respectively. Because the commodities that we buy and sell are generally indexed to the same pricing indices for both the sales and purchases, revenues and costs related to purchases will fluctuate with market prices. However, the margins related to those sales and purchases will not necessarily have a corresponding increase or decrease. The absolute amount of our revenues and purchases increased for the three and six months ended June 30, 2013 and 2012 primarily from increased volumes in 2013.

Generally, we expect a base level of earnings from our Supply and Logistics segment from the assets employed by this segment. This base level may be optimized and enhanced when there is a high level of market volatility, favorable basis differentials and/or a steep contango or backwardated market structure. Also, our NGL marketing operations are sensitive to weather-related demand, particularly during the approximate five-month peak heating season of November through March, and temperature differences from period to period may have a significant effect on NGL demand and thus our financial performance.

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The following is a discussion of items impacting Supply and Logistics segment profit and segment profit per barrel for the periods indicated:

Operating Revenues and Volumes. Our Supply and Logistics segment revenues, net of purchases and related costs and excluding gains and losses from derivative activities (see the *Impact from Derivative Activities* section below), increased for the six months ended June 30, 2013 compared to the six months ended June 30, 2012; however, such results decreased for the comparative three-month periods ended June 30, 2013 and 2012. The following factors contributed to the variances in revenues and volumes between the comparative periods:

- **North American Crude Oil Production and Related Market Economics** The increasing production of oil and liquids-rich gas in North America over the last several years generally created supply and demand imbalances that increased the volatility of historical differentials for various grades of crude oil and also impacted the historical pricing relationship between NGL and crude oil. Lack of existing pipeline takeaway capacity and associated logistical challenges in certain of these producing regions created market conditions and opportunities that were favorable to our supply and logistics activities. However, infrastructure additions in many of these resource plays during the second quarter of 2013 began to relieve certain of the transportation constraints that had previously created opportunities for these favorable crude oil margins. For the six months ended June 30, 2013, we had higher net revenues associated with our crude oil activities than in the comparable 2012 period. During the first quarter of 2013, as well as the second quarter of 2012, the conditions described above provided opportunities for increased margins related to opportunities in certain producing regions where crude oil production volumes exceeded existing takeaway capacity and where there were associated logistical challenges. In addition, we benefited from higher volumes and opportunities from more favorable crude oil quality and location differentials. During the second quarter of 2013, we continued to have higher volumes than in the comparable prior year period, but experienced fewer opportunities for favorable crude oil margins resulting in lower overall results from our crude oil activities.

We believe the fundamentals of our business remain strong; however, as the midstream infrastructure in these producing regions continues to be developed, we believe a normalization of margins will continue to occur as the logistics challenges are addressed. (See Items 1 and 2 *Business and Properties Description of Segments and Associated Assets Supply and Logistics Segment Impact of Commodity Price Volatility and Dynamic Market Conditions on Our Business Model* included in Part I of our 2012 Annual Report on Form 10-K for further discussion regarding our business model, including diversification and utilization of our asset base among varying demand- and supply-driven markets.)

- **NGL Marketing Operations** Revenues and volumes from our NGL marketing operations increased during the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012 primarily due to more favorable market prices and higher demand related to (i) increases in export activity that reduced overall product availability in the market and (ii) petrochemical demand as well as more favorable supply contracts. Additionally, NGL margins during the three-month 2012 period were negatively impacted by the sale of NGL product at points in time where spot prices were less than our weighted average inventory cost, primarily associated with inventory acquired in the BP NGL Acquisition on April 1, 2012. The six-month comparative periods further benefited from higher demand related to heating requirements during an extended winter season.

NGL sales volumes increased during the six months ended June 30, 2013 over the six months ended June 30, 2012 primarily due to increased demand as discussed above, as well as the impact from our BP NGL Acquisition completed on April 1, 2012.

Impact from Derivative Activities. The mark-to-market valuation of our derivative activities impacted our net revenues for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 as shown in the table below (in millions):

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	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Variance	2013	2012	Variance
Gains/(losses) from derivative activities (1)	\$ 27	\$ 73	\$ (46)	\$ 51	\$ 13	\$ 38

(1) Includes mark-to-market gains and losses resulting from derivative instruments that are related to underlying activities in future periods or the reversal of mark-to-market gains and losses from the prior period. These amounts are reduced by the net impact of inventory valuation adjustments attributable to inventory hedged by the related derivative and gains recognized in later periods on physical sales of inventory that was previously written down. See Note 11 to our condensed consolidated financial statements for a comprehensive discussion regarding our derivatives and risk management activities.

Field Operating Costs. Field operating costs (excluding equity-indexed compensation expense) increased in the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 primarily related to increased lease gathered volumes, particularly in West Texas and Oklahoma.

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Equity-Indexed Compensation Expense. On a consolidated basis, equity-indexed compensation expense increased during both the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. See discussion regarding such variances under Transportation Segment above. Also, see Note 15 to our Consolidated Financial Statements included in Part IV of our 2012 Annual Report on Form 10-K for further information regarding our equity compensation plans.

Other Income and Expenses

Depreciation and Amortization

Depreciation and amortization expense was approximately \$91 million and \$173 million for the three and six months ended June 30, 2013, respectively, compared to approximately \$86 million and \$146 million for the three and six months ended June 30, 2012, respectively. The increase in the 2013 periods over the comparative 2012 periods were primarily the result of an increased amount of assets resulting from acquisition activities, as well as various internal growth projects in both years.

Interest Expense

Interest expense increased by approximately \$12 million for the six months ended June 30, 2013 compared to the six months ended June 30, 2012, primarily as a result of the issuance of approximately \$1.25 billion of senior notes in March 2012, the proceeds of which were used to fund the BP NGL Acquisition, and the issuance of approximately \$750 million of senior notes in December 2012, the proceeds of which were used primarily to fund our growth through acquisitions and our ongoing capital program. The resulting increases in interest expense were partially offset by the maturity of our \$500 million, 4.25% senior notes in September 2012.

Income Tax Expense

Income tax expense for the three months ended June 30, 2013 compared to the three months ended June 30, 2012 increased by approximately \$8 million, primarily as a result of increased earnings of our existing Canadian operations.

Income tax expense for the six months ended June 30, 2013 compared to the six months ended June 30, 2012 increased by approximately \$40 million, primarily as a result of the BP NGL Acquisition, as well as the strength of our existing operations, both of which increased the proportion of earnings subject to Canadian federal and provincial taxes. Canadian withholding taxes also increased on interest from our Canadian entities to other affiliates.

Liquidity and Capital Resources

General

Our primary sources of liquidity are (i) our cash flows from operating activities, (ii) borrowings under our credit facilities and (iii) funds received from sales of equity and debt securities. Our primary cash requirements include, but are not limited to, (i) ordinary course of business uses, such as the payment of amounts related to the purchase of crude oil and other products and other expenses and interest payments on our outstanding debt, (ii) maintenance and expansion activities, (iii) acquisitions of assets or businesses, (iv) repayment of principal on our long-term debt and (v) distributions to our unitholders and general partner. We generally expect to fund our short-term cash requirements through our primary sources of liquidity. In addition, we generally expect to fund our long-term needs, such as those resulting from expansion activities or acquisitions and refinancing our long-term debt, through a variety of sources (either separately or in combination), which may include operating cash flows, borrowings under our credit facilities, and/or the issuance of additional equity or debt securities. As of June 30, 2013, we had a working capital deficit of approximately \$83 million and approximately \$2.57 billion of liquidity available to meet our other ongoing operating, investing and financing needs as noted below (in millions):

	As of June 30, 2013
Availability under PAA senior unsecured revolving credit facility	\$ 1,548
Availability under PAA senior secured hedged inventory facility	802
Availability under PNG senior unsecured revolving credit facility	204
Cash and cash equivalents	16
Total	\$ 2,570

We believe that we will continue to have the ability to access our credit facilities, which we use to meet our short-term cash needs. We believe that our financial position remains strong and we have sufficient liquidity; however, extended disruptions in the financial markets and/or energy price volatility that adversely affect our business may have a materially adverse effect on our financial condition, results of operations or cash flows. Also, see Risk Factors in Item 1A of our 2012 Annual Report on Form 10-K for

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further discussion regarding such risks that may impact our liquidity and capital resources. Usage of our credit facilities is subject to ongoing compliance with covenants. We are currently in compliance with all covenants.

Cash Flows from Operating Activities

For a comprehensive discussion of the primary drivers of our cash flow from operating activities, including the impact of varying market conditions and the timing of settlement of our derivative activities, see *Liquidity and Capital Resources* *Cash Flow from Operations* under Item 7 of our 2012 Annual Report on Form 10-K.

Net cash provided by operating activities for the first six months of 2013 was approximately \$1.337 billion. The cash provided by operating activities reflects cash generated by our recurring operations, and can also be significantly impacted in periods when we are increasing or decreasing the amount of inventory in storage. During the first half of 2013, we decreased the amount of our inventory. The decrease in inventory was primarily due to the sale of NGL inventory related to higher product demand caused by increases in (i) heating requirements during an extended winter season, (ii) export activity that reduced overall product availability in the market and (iii) petrochemical demand, as well as the sale of crude oil inventory that had been stored during the contango market. The net proceeds received from liquidation of such inventory during the quarter were used to repay borrowings under our credit facilities and favorably impacted our cash flows from operating activities.

Net cash provided by operating activities for the first six months of 2012 was approximately \$348 million, primarily resulting from earnings from our operations. Cash flows from earnings were partially offset by increases in our crude oil and NGL inventory levels.

Equity and Debt Financing Activities

Our financing activities primarily relate to funding acquisitions and internal capital projects and short-term working capital and hedged inventory borrowings related to our NGL business and contango market activities, as well as refinancing of our debt maturities. Our financing activities have primarily consisted of equity offerings, senior notes offerings and borrowings and repayments under our credit facilities.

Registration Statements

We periodically access the capital markets for both equity and debt financing. We have filed with the SEC a universal shelf registration statement that, subject to effectiveness at the time of use, allows us to issue up to an aggregate of \$2.0 billion of debt or equity securities (*Traditional Shelf*). All issuances of equity securities associated with our continuous offering program, as discussed further below, have been issued pursuant to the *Traditional Shelf*. At June 30, 2013, we had approximately \$1.6 billion of unsold securities available under the *Traditional Shelf*.

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We also have access to a universal shelf registration statement (WKSI Shelf), which provides us with the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs.

PNG has filed with the SEC a universal shelf registration statement (PNG Shelf) that, subject to effectiveness at the time of use, allows PNG to issue up to an aggregate of \$1.0 billion of debt or equity securities. All issuances of equity securities associated with PNG's continuous offering program, as discussed further below, have been issued pursuant to the PNG Shelf. At June 30, 2013, PNG had approximately \$969 million of unsold securities available under the PNG Shelf.

PAA Continuous Offering Programs

During the six months ended June 30, 2013, we issued an aggregate of approximately 5.9 million common units under our continuous offering programs, generating net proceeds of approximately \$331 million, including our general partner's proportionate capital contribution. The net proceeds from sales were used for general partnership purposes.

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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. Through June 30, 2013, PNG has issued an aggregate of approximately 1.4 million common units under this agreement, generating net proceeds of approximately \$30 million, excluding our proportionate capital contribution for our general partner interest.

Credit Agreements

General. During the six months ended June 30, 2013, we had net repayments on our credit agreements, which include our revolving credit facilities and our hedged inventory facility, in the aggregate of approximately \$186 million. These net repayments resulted primarily from cash flows from operating activities, such as sales of crude oil and NGL inventory that was liquidated during the period, as well as our equity activities.

During the six months ended June 30, 2012, we had net borrowings on our credit agreements in the aggregate of approximately \$345 million. These net borrowings resulted primarily when we increased our crude oil inventory levels related to storing barrels in the contango market. For further discussion related to our credit facilities and long-term debt, see *Cash Flows from Operating Activities* above and *Liquidity and Capital Resources* *Credit Facilities and Indentures* under Item 7 of our 2012 Annual Report on Form 10-K.

Acquisitions and Capital Expenditures and Distributions Paid to Our Unitholders, General Partner and Noncontrolling Interests

We also use cash for our acquisition activities, internal growth projects and distributions paid to our unitholders, general partner and noncontrolling interests. We have made and will continue to make capital expenditures for acquisitions, expansion capital and maintenance capital. Historically, we have financed these expenditures primarily with cash generated by the operating and financing activities discussed above. See *Internal Growth Projects* above and *Acquisitions and Internal Growth Projects* under Item 7 of our 2012 Annual Report on Form 10-K for further discussion of such capital expenditures.

Acquisitions. The price of acquisitions includes cash paid, assumed liabilities and net working capital items. Because of the non-cash items included in the total price of acquisitions and the timing of certain cash payments, the net cash paid may differ significantly from the total price of acquisitions completed during the year.

Distributions to our unitholders and general partner. We distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash is generally defined as all of our cash and cash equivalents on hand at the end of each quarter less reserves established in the discretion of our general partner for future requirements. On August 14, 2013, we will pay a quarterly distribution of \$0.5875 per limited partner unit. This distribution represents a year-over-year distribution increase of approximately 10.3%. See Note 9 to our condensed consolidated financial statements for details of distributions paid. Also, see Item 5. *Market for Registrant's*

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Common Units, Related Unitholder Matters and Issuer Purchases of Equity Securities Cash Distribution Policy included in our 2012 Annual Report on Form 10-K for additional discussion on distributions.

Distributions to noncontrolling interests. We paid approximately \$24 million for distributions to noncontrolling interests during each of the six months ended June 30, 2013 and 2012. These amounts represent distributions paid on interests in PNG and SLC that are not owned by us.

We believe that we have sufficient liquid assets, cash flow from operations and borrowing capacity under our credit agreements to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures. We are, however, subject to business and operational risks that could adversely affect our cash flow. A material decrease in our cash flows would likely produce an adverse effect on our borrowing capacity.

Table of Contents**Contingencies**

For a discussion of contingencies that may impact us, see Note 12 to our condensed consolidated financial statements.

Commitments

Contractual Obligations. In the ordinary course of doing business, we purchase crude oil and NGL from third parties under contracts, the majority of which range in term from thirty-day evergreen to five years. We establish a margin for these purchases by entering into various types of physical and financial sale and exchange transactions through which we seek to maintain a position that is substantially balanced between purchases on the one hand and sales and future delivery obligations on the other. In addition, we enter into similar contractual obligations in conjunction with our natural gas operations. The table below includes purchase obligations related to these activities. Where applicable, the amounts presented represent the net obligations associated with buy/sell contracts and those subject to a net settlement arrangement with the counterparty. We do not expect to use a significant amount of internal capital to meet these obligations, as the obligations will be funded by corresponding sales to entities that we deem creditworthy or who have provided credit support we consider adequate.

The following table includes our best estimate of the amount and timing of these payments as well as others due under the specified contractual obligations as of June 30, 2013 (in millions):

	2013	2014	2015	2016	2017	2018 and Thereafter	Total
Long-term debt, including current maturities and related interest payments (1)	\$ 422	\$ 332	\$ 873	\$ 773	\$ 666	\$ 7,359	\$ 10,425
Leases (2)	67	138	120	107	80	399	911
Other obligations (3)	140	97	63	36	27	147	510
Subtotal	629	567	1,056	916	773	7,905	11,846
Crude oil, natural gas, NGL and other purchases (4)	5,649	2,492	1,736	1,564	1,119	2,387	14,947
Total	\$ 6,278	\$ 3,059	\$ 2,792	\$ 2,480	\$ 1,892	\$ 10,292	\$ 26,793

(1) Includes debt service payments, interest payments due on our senior notes, interest payments on long-term borrowings outstanding under the PNG credit agreement and the commitment fee on assumed available capacity on the PAA and PNG revolving credit facilities. Although there are outstanding short-term borrowings on the PAA and PNG revolving credit facilities at June 30, 2013, we historically repay and borrow at varying amounts. As such, we have included only the maximum commitment fee (as if no short-term borrowings were outstanding on the facilities) in the amounts above.

(2) Leases are primarily for (i) surface rentals, (ii) office rent, (iii) pipeline assets and (iv) trucks, trailers and railcars.

(3) Includes (i) other long-term liabilities, (ii) storage and transportation agreements and (iii) commitments related to our capital expansion projects, including projected contributions for our share of the capital spending of our equity-method investments. Excludes a long-term liability of approximately \$3 million related to derivative activity included in Crude oil, natural gas, NGL and other purchases.

(4) Amounts are primarily based on estimated volumes and market prices based on average activity during June 2013. The actual physical volume purchased and actual settlement prices will vary from the assumptions used in the table. Uncertainties involved in these estimates include levels of production at the wellhead, weather conditions, changes in market prices and other conditions beyond our control.

Letters of Credit. In connection with our crude oil supply and logistics activities, we provide certain suppliers with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil. Our liabilities with respect to these purchase obligations are recorded in accounts payable on our balance sheet in the month the crude oil is purchased. Generally, these letters of credit are issued for periods of up to seventy days and are terminated upon completion of each transaction. At June 30, 2013 and December 31, 2012, we had outstanding letters of credit of approximately \$50 million and \$24 million, respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303 of Regulation S-K.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements.

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Critical Accounting Policies and Estimates

For additional discussion regarding our critical accounting policies and estimates, see **Critical Accounting Policies and Estimates** under Item 7 of our 2012 Annual Report on Form 10-K.

Forward-Looking Statements

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

- failure to implement or capitalize, or delays in implementing or capitalizing, on planned internal growth projects;
- unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof);
- the successful integration and future performance of acquired assets or businesses and the risks associated with operating in lines of business that are distinct and separate from our historical operations;
- the occurrence of a natural disaster, catastrophe, terrorist attack or other event, including attacks on our electronic and computer systems;
- tightened capital markets or other factors that increase our cost of capital or limit our access to capital;
- maintenance of our credit rating and ability to receive open credit from our suppliers and trade counterparties;
- continued creditworthiness of, and performance by, our counterparties, including financial institutions and trading companies with which we do business;

- the effectiveness of our risk management activities;
- environmental liabilities or events that are not covered by an indemnity, insurance or existing reserves;
- declines in the volume of crude oil, refined product and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of our facilities, whether due to declines in production from existing oil and gas reserves, failure to develop or slowdown in the development of additional oil and gas reserves or other factors;
- shortages or cost increases of supplies, materials or labor;
- fluctuations in refinery capacity in areas supplied by our mainlines and other factors affecting demand for various grades of crude oil, refined products and natural gas and resulting changes in pricing conditions or transportation throughput requirements;
- the availability of, and our ability to consummate, acquisition or combination opportunities;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- the impact of current and future laws, rulings, governmental regulations, accounting standards and statements, and related interpretations;
- non-utilization of our assets and facilities;
- the effects of competition;
- interruptions in service on third-party pipelines;

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

Other factors described herein, as well as factors that are unknown or unpredictable, could also have a material adverse effect on future results. Please read "Risk Factors" discussed in Item 1A of our 2012 Annual Report on Form 10-K. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including (i) commodity price risk, (ii) interest rate risk and (iii) currency exchange rate risk. We use various derivative instruments to manage such risks and, in certain circumstances, to realize incremental margin during volatile market conditions. Our risk management policies and procedures are designed to help ensure that our hedging activities address our risks by monitoring our exchange-cleared and over-the-counter positions, as well as physical volumes, grades, locations, delivery schedules and storage capacity. We have a risk management function that has direct responsibility and authority for our risk policies, related controls around commercial activities and certain aspects of corporate risk management. Our risk management function also approves all new risk management strategies

through a formal process. The following discussion addresses each category of risk.

Commodity Price Risk

We use derivative instruments to hedge commodity price risk associated with the following commodities:

- *Crude oil and refined products*

We utilize crude oil and refined products derivatives to hedge commodity price risk inherent in our Supply and Logistics and Transportation segments. Our objectives for these derivatives include hedging anticipated purchases and sales, stored inventory, and storage capacity utilization. We manage these exposures with various instruments including exchange traded and over-the-counter futures, forwards, swaps and options.

- *Natural gas*

We utilize natural gas derivatives to hedge commodity price risk inherent in our Supply and Logistics and Facilities segments. Our objectives for these derivatives include hedging anticipated purchases and sales and stored inventory and managing our anticipated base gas requirements. We manage these exposures with various instruments including exchange-traded futures, swaps and options.

- *NGL*

We utilize NGL derivatives, primarily butane and propane derivatives, to hedge commodity price risk inherent in our Supply and Logistics segment. Our objectives for these derivatives include hedging anticipated purchases and sales and stored inventory. We manage these exposures with various instruments including exchange-traded and over-the-counter futures, forwards, swaps and options.

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See Note 11 to our condensed consolidated financial statements for further discussion regarding our hedging strategies and objectives.

Our policy is to (i) purchase only product for which we have a market, (ii) hedge our purchase and sales contracts so that price fluctuations do not materially affect our operating income and (iii) not acquire and hold physical inventory or other derivative instruments for the purpose of speculating on outright commodity price changes, as these activities could expose us to significant losses.

The fair value of our commodity derivatives and the change in fair value as of June 30, 2013 that would be expected from a 10% price increase or decrease is shown in the table below (in millions):

	Fair Value		Effect of 10% Price Increase		Effect of 10% Price Decrease
Crude oil and related products	\$ 19	\$	20	\$	(16)
Natural gas	(3)	\$	(4)	\$	4
NGL and other	57	\$	7	\$	(7)
Total fair value	\$ 73				

The fair values presented in the table above reflect the sensitivity of the derivative instruments only and do not include the effect of the underlying hedged commodity. Price-risk sensitivities were calculated by assuming an across-the-board 10% increase or decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10% change in near-term commodity prices, the fair value of our derivative portfolio would typically change less than that shown in the table as changes in near-term prices are not typically mirrored in delivery months further out.

Interest Rate Risk

Our use of variable rate debt and any forecasted issuances of fixed rate debt expose us to interest rate risk. Therefore, from time to time we use interest rate derivatives to hedge interest rate risk associated with anticipated debt issuances and, in certain cases, outstanding debt instruments. All of our senior notes are fixed rate notes and thus are not subject to interest rate risk. The majority of our variable rate debt at June 30, 2013, approximately \$850 million (which excludes \$100 million of variable rate debt when giving consideration to our interest rate derivatives that swap floating-rate debt for fixed), is subject to interest rate re-sets, which range from one week to three months. The average interest rate of approximately 1.7% is based upon rates in effect during the six months ended June 30, 2013 without giving consideration to our interest rate swaps. The fair value of our interest rate derivatives is an unrealized gain of approximately \$12 million as of June 30, 2013. A 10% increase in the forward LIBOR curve as of June 30, 2013 would result in an increase of approximately \$26 million to the fair value of our interest rate derivatives. A 10% decrease in the forward LIBOR curve as of June 30, 2013 would result in a decrease of approximately \$26 million to the fair value of our interest rate derivatives. See Note 11 to our condensed consolidated financial statements for a discussion of our interest rate risk hedging activities.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain written disclosure controls and procedures, which we refer to as our DCP. Our DCP is designed to ensure that information required to be disclosed by us in reports that we file under the Securities Exchange Act of 1934 (the Exchange Act) is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure.

Applicable SEC rules require an evaluation of the effectiveness of the design and operation of our DCP. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our DCP as of the end of the period covered by this report, and has found our DCP to be effective in providing reasonable assurance of the timely recording, processing, summarization and reporting of information, and in accumulation and communication of information to management to allow for timely decisions with regard to required disclosure.

Changes in Internal Control over Financial Reporting

In addition to the information concerning our DCP, we are required to disclose certain changes in our internal control over financial reporting. Although we have made various enhancements to our controls, there have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Certifications

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Exchange Act rules 13a-14(a) and 15d-14(a) are filed with this report as Exhibits 31.1 and 31.2. The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 are furnished with this report as Exhibits 32.1 and 32.2.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information required by this item is included under the caption *Litigation* in Note 12 to our condensed consolidated financial statements, and is incorporated herein by reference thereto.

Item 1A. RISK FACTORS

For a discussion regarding our risk factors, see Item 1A of our 2012 Annual Report on Form 10-K. Those risks and uncertainties are not the only ones facing us and there may be additional matters of which we are unaware or that we currently consider immaterial. All of those risks and uncertainties could adversely affect our business, financial condition and/or results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report, and such Exhibit Index is incorporated herein by reference.

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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 thereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PAA GP LLC, its general partner
By: PLAINS AAP, L.P., its sole member
By: PLAINS ALL AMERICAN GP LLC, its general partner

Date: August 7, 2013

By: /s/ GREG L. ARMSTRONG
Greg L. Armstrong, *Chairman of the Board,
Chief Executive Officer and Director
(Principal Executive Officer)*

Date: August 7, 2013

By: /s/ AL SWANSON
Al Swanson, *Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)*

Date: August 7, 2013

By: /s/ CHRIS HERBOLD
Chris Herbold, *Vice President- Accounting and
Chief Accounting Officer*

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EXHIBIT INDEX

- 3.1 Fourth Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of May 17, 2012 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed May 23, 2012).
- 3.2 Amendment No. 1 dated October 1, 2012 to the Fourth Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 2, 2012).
- 3.3 Third Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.4 Amendment No. 1 dated December 31, 2010 to the Third Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. (incorporated by reference to Exhibit 3.9 to the Annual Report on Form 10-K for the year ended December 31, 2010).
- 3.5 Amendment No. 2 dated January 1, 2011 to the Third Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K for the year ended December 31, 2010).
- 3.6 Third Amended and Restated Agreement of Limited Partnership of Plains Pipeline, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.7 Fifth Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC dated December 23, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed December 30, 2010).
- 3.8 Sixth Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. dated December 23, 2010 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed December 30, 2010).
- 3.9 Certificate of Incorporation of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.10 Bylaws of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.11 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.11 Limited Liability Company Agreement of PAA GP LLC dated December 28, 2007 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed January 4, 2008).
- 4.1 Indenture dated September 25, 2002 among Plains All American Pipeline, L.P., PAA Finance Corp. and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.2 Second Supplemental Indenture (Series A and Series B 5.625% Senior Notes due 2013) dated as of December 10, 2003 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Annual Report on Form 10-K for the year ended December 31, 2003).
- 4.3 Fourth Supplemental Indenture (Series A and Series B 5.875% Senior Notes due 2016) dated August 12, 2004 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and

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Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-4, File No. 333-121168).

4.4

Fifth Supplemental Indenture (Series A and Series B 5.25% Senior Notes due 2015) dated May 27, 2005 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and

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Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 31, 2005).

- 4.5 Sixth Supplemental Indenture (Series A and Series B 6.70% Senior Notes due 2036) dated May 12, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 12, 2006).
- 4.6 Ninth Supplemental Indenture (Series A and Series B 6.125% Senior Notes due 2017) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed October 30, 2006).
- 4.7 Tenth Supplemental Indenture (Series A and Series B 6.650% Senior Notes due 2037) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed October 30, 2006).
- 4.8 Thirteenth Supplemental Indenture (Series A and Series B 6.5% Senior Notes due 2018) dated April 23, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed April 23, 2008).
- 4.9 Fifteenth Supplemental Indenture (8.75% Senior Notes due 2019) dated April 20, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed April 20, 2009).
- 4.10 Seventeenth Supplemental Indenture (5.75% Senior Notes due 2020) dated September 4, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 4, 2009).
- 4.11 Eighteenth Supplemental Indenture (3.95% Senior Notes due 2015) dated July 14, 2010 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed July 13, 2010).
- 4.12 Nineteenth Supplemental Indenture (5.00% Senior Notes due 2021) dated January 14, 2011 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed January 11, 2011).
- 4.13 Twentieth Supplemental Indenture (3.65% Senior Notes due 2022) dated March 22, 2012 among Plains All American Pipeline, L.P., PAA Finance Corp. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed March 26, 2012).
- 4.14 Twenty-First Supplemental Indenture (5.15% Senior Notes due 2042) dated March 22, 2012 among Plains All American Pipeline, L.P., PAA Finance Corp. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed March 26, 2012).
- 4.15 Twenty-Second Supplemental Indenture (2.85% Senior Notes due 2023) dated December 10, 2012, by and among Plains All American Pipeline, L.P., PAA Finance Corp., and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed December 12, 2012).
- 4.16 Twenty-Third Supplemental Indenture (4.30% Senior Notes due 2043) dated December 10, 2012, by and among Plains All American Pipeline, L.P., PAA Finance Corp., and U.S. Bank National Association, as trustee

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(incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed December 12, 2012).

- 10.1 Form of PAA LTIP Grant Letter for Officers (February 2013) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).

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12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Filed herewith.

Furnished herewith.