PLAINS ALL AMERICAN PIPELINE LP
Form 424B5
May 08, 2008

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Registration No. 333-126447

**PROSPECTUS SUPPLEMENT** **TO THE PROSPECTUS DATED JULY 22, 2005**

**6,000,000 Common Units**
**Representing Limited Partner Interests**

Common Units

We are selling 6,000,000 of our common units. Our common units are listed on the New York Stock Exchange under the symbol PAA. The last reported sale price of our common units on the New York Stock Exchange on May 6, 2008 was $47.38 per common unit.

**Investing in our common units involves risks. See Risk Factors on page S-9 of this prospectus supplement and beginning on page 5 of the accompanying prospectus.**

| | Per Common Unit | Total |
|---|---|---|
| Public Offering Price | $ 46.31 | $ 277,860,000 |
| Underwriting Discounts and Commissions | $ 1.53 | $ 9,180,000 |
| Proceeds, Before Expenses, to Plains All American Pipeline, L.P. | $ 44.78 | $ 268,680,000 |

Delivery of the common units will be made on or about May 12, 2008.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

We have granted the underwriters an option to purchase up to 900,000 additional common units.

*Joint Book-Running Managers*

Wachovia Securities | Citi | UBS Investment Bank

*Co-Managers*

Lehman Brothers | Merrill Lynch & Co. | Morgan Stanley

JPMorgan
Morgan Keegan & Company, Inc.
Oppenheimer & Co.
Raymond James
RBC Capital Markets

**The date of this prospectus supplement is May 7, 2008.**

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### Prospectus


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### Important Notice About Information in this Prospectus Supplement and the Accompanying Prospectus

**This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this offering. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined.**

**If the description of the offering varies between the prospectus supplement and the base prospectus, you should rely on the information in the prospectus supplement.**

**You should rely only on the information contained in or incorporated by reference in this prospectus or any free writing prospectus relating to this offering of common units. Neither we nor the underwriters have authorized anyone to provide you with different information. We are not making an offer of the common units in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus, any free writing prospectus or in the documents incorporated by reference in this prospectus is accurate as of any date other than the date on the front of those documents.**

**The information in this prospectus supplement is not complete. You should review carefully all of the detailed information appearing in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference before making any investment decision.**

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## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference for a more complete understanding of this offering of common units. Please read Risk Factors beginning on page S-9 of this prospectus supplement, on page 5 of the accompanying prospectus, in our annual report on Form 10-K for the year ended December 31, 2007 and in our quarterly report on Form 10-Q for the quarter ended March 31, 2008 for information regarding risks you should consider before investing in our common units.*

*Except as the context otherwise indicates, the information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional common units.*

*For purposes of this prospectus supplement and the accompanying prospectus, unless the context clearly indicates otherwise, we, us, our and the Partnership refer to Plains All American Pipeline, L.P. and its consolidated subsidiaries. References to our general partner, as the context requires, include any or all of PAA GP LLC, Plains AAP, L.P. and Plains All American GP LLC.*

### Plains All American Pipeline, L.P.

We are a Delaware limited partnership formed in 1998. Our operations are conducted directly and indirectly through our primary operating subsidiaries. We are engaged in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas-related petroleum products. We refer to liquefied petroleum gas and other natural gas-related petroleum products collectively as LPG. In addition, through our 50% equity ownership in PAA/Vulcan Gas Storage, LLC ( PAA/Vulcan ), we are engaged in the development and operation of natural gas storage facilities.

We are one of the largest midstream crude oil companies in North America. We have an extensive network of pipeline transportation, terminalling, storage and gathering assets in key oil-producing basins, transportation corridors and at major market hubs in the United States and Canada. We manage our operations through three primary operating segments: (i) Transportation, (ii) Facilities and (iii) Marketing.

***Transportation Segment.*** Our transportation segment operations generally consist of fee-based activities associated with transporting crude oil and refined products on pipelines, gathering systems, trucks and barges. As of December 31, 2007, we employed a variety of owned or leased long-term physical assets throughout the United States and Canada in this segment, including approximately:

- 20,000 miles of active crude oil and refined products pipelines and gathering systems;
- 23 million barrels of active, above-ground tank capacity used primarily to facilitate pipeline throughput;
- 83 trucks and 364 trailers; and
- 62 transport and storage barges and 32 transport tugs through our interest in Settoon Towing, LLC ( Settoon ).

We also include in this segment our equity earnings from our investments in Butte Pipe Line Company and Frontier Pipeline Company, in which we own minority interests, and Settoon, in which we own a 50% interest.

***Facilities Segment.*** Our facilities segment operations generally consist of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products and LPG, as well as LPG fractionation and isomerization services. As of December 31, 2007, we owned and employed a variety of long-term physical assets throughout the United States and Canada in this segment, including:

- approximately 47 million barrels of crude oil and refined products capacity primarily at our terminalling and storage locations;

approximately 6 million barrels of LPG capacity; and

a fractionation plant in Canada with a processing capacity of 4,400 barrels per day, and a fractionation and isomerization facility in California with an aggregate processing capacity of 24,000 barrels per day.

At year-end 2007, we were in the process of constructing approximately 10 million barrels of additional above-ground crude oil and refined product terminalling and storage facilities and approximately 1 million barrels of underground LPG storage capacity, the majority of which we expect to place in service during 2008.

Our facilities segment also includes our equity earnings from our investment in PAA/Vulcan. At December 31, 2007, PAA/Vulcan owned and operated approximately 26 billion cubic feet of underground natural gas storage capacity and was constructing an additional 24 billion cubic feet of underground natural gas storage capacity, which is expected to be placed in service in stages over the next several years.

***Marketing Segment.*** Our marketing segment operations generally consist of the following merchant activities:

the purchase of U.S. and Canadian crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, as well as the purchase of foreign cargoes at their load port and various other locations in transit;

the storage of inventory during contango market conditions and the seasonal storage of LPG;

the purchase of refined products and LPG from producers, refiners and other marketers;

the resale or exchange of crude oil, refined products and LPG at various points along the distribution chain to refiners or other resellers to maximize profits; and

the transportation of crude oil, refined products and LPG on trucks, barges, railcars, pipelines and ocean-going vessels to our terminals and third-party terminals.

We believe our marketing activities are counter-cyclically balanced to produce a stable baseline of results in a variety of market conditions, while at the same time providing upside potential associated with opportunities inherent in volatile market conditions. This is achieved by utilizing storage facilities at major interchange and terminalling locations and various hedging strategies.

Except for pre-defined inventory positions, our policy is generally to purchase only product for which we have a market, to structure our sales contracts so that price fluctuations do not materially affect the segment profit we receive, and not to acquire and hold physical inventory, futures contracts or other derivative products for the purpose of speculating on outright commodity price changes.

In addition to substantial working inventories and working capital associated with its merchant activities, as of December 31, 2007, our marketing segment also owned crude oil and LPG classified as long-term assets and a variety of owned or leased physical assets throughout the United States and Canada, including approximately:

8 million barrels of crude oil and LPG linefill in pipelines owned by us;

1 million barrels of crude oil and LPG linefill in pipelines owned by third parties;

- 540 trucks and 710 trailers; and
- 1,400 railcars.

In connection with its operations, our marketing segment secures transportation and facilities services from our other two segments as well as third-party service providers under month-to-month and multi-year arrangements. Inter-segment transportation service rates are based on posted tariffs for pipeline transportation services or at the same rates as those charged to third-party shippers. Facilities segment services are also obtained at rates consistent with rates charged to third parties for similar services; however, certain

terminalling and storage rates are discounted to our marketing segment to reflect the fact that these services may be canceled on short notice to enable the facilities segment to provide services to third parties.

Although certain activities in our marketing segment are affected by seasonal aspects, in general, seasonality does not have a material impact on our operations and segments.

**Business Strategy**

Our principal business strategy is to provide competitive and efficient midstream transportation, terminalling, storage and marketing services to our producer, refiner and other customers. Toward this end, we endeavor to address regional supply and demand imbalances for crude oil, refined products and LPG in the United States and Canada by combining the strategic location and capabilities of our transportation, terminalling and storage assets with our extensive marketing and distribution expertise.

We believe successful execution of this strategy will enable us to generate sustainable earnings and cash flow. We intend to grow our business by:

- optimizing our existing assets and realizing cost efficiencies through operational improvements;

- developing and implementing internal growth projects that (i) address evolving crude oil, refined products and LPG needs in the midstream transportation and infrastructure sector and (ii) are well positioned to benefit from long-term industry trends and opportunities;

- utilizing our assets along the Gulf, West and East Coasts along with our Cushing Terminal and leased assets to optimize our presence in the waterborne importation of foreign crude oil;

- expanding our presence in the refined products supply and marketing sector;

- selectively pursuing strategic and accretive acquisitions of crude oil, refined products and LPG transportation, terminalling, storage and marketing assets and businesses that complement our existing asset base and distribution capabilities; and

- using our terminalling and storage assets in conjunction with our marketing activities to capitalize on inefficient energy markets and to address physical market imbalances, mitigate inherent risks and increase margin.

PAA/Vulcan s natural gas storage assets are also well-positioned to benefit from long-term industry trends and opportunities. PAA/Vulcan s natural gas storage growth strategies are to develop and implement internal growth projects and to selectively pursue strategic and accretive natural gas storage projects and facilities. We also intend to prudently and economically leverage our asset base, knowledge base and skill sets to participate in other energy-related businesses that have characteristics and opportunities similar to, or that otherwise complement, our existing activities.

**Financial Strategy**

***Targeted Credit Profile.*** We believe that a major factor in our continued success is our ability to maintain a competitive cost of capital and access to the capital markets. We intend to maintain a credit profile that we believe is consistent with an investment grade credit rating. We have targeted a general credit profile with the following attributes:

an average long-term debt-to-total capitalization ratio of approximately 50%;

an average long-term debt-to-adjusted EBITDA multiple of approximately 3.5x (adjusted EBITDA is earnings before interest, taxes, depreciation and amortization, equity compensation plan charges and gains and losses attributable to Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended); and

an average adjusted EBITDA-to-interest coverage multiple of approximately 3.3x or better.

The first two of these three metrics include long-term debt as a critical measure. In certain market conditions, we also incur short-term debt in connection with marketing activities that involve the simultaneous purchase and forward sale of crude oil, refined products and LPG. The crude oil, refined products and LPG purchased in these transactions are hedged. We do not consider the working capital borrowings associated with this activity to be part of our long-term capital structure. These borrowings are self-liquidating as they are repaid with sales proceeds. We also incur short-term debt for New York Mercantile Exchange ( NYMEX ) and Intercontinental Exchange ( ICE ) margin requirements.

In order for us to maintain our targeted credit profile and achieve growth through internal growth projects and acquisitions, we intend to fund at least 50% of the capital requirements associated with these activities with equity and cash flow in excess of distributions. From time to time, we may be outside the parameters of our targeted credit profile as, in certain cases, these capital expenditures and acquisitions may be financed initially using debt or there may be delays in realizing anticipated synergies from acquisitions or contributions from capital expansion projects to adjusted EBITDA. At March 31, 2008, our long-term debt-to-total capitalization ratio was approximately 44% and our long-term debt-to-adjusted EBITDA multiple and our adjusted EBITDA-to-interest coverage multiple on a trailing twelve month basis were in line with or favorable to our targeted metric.

***Credit Rating.*** As of April 2008, our senior unsecured ratings with Standard & Poor s Ratings Services and Moody s Investors Service were BBB-, stable outlook, and Baa3, stable outlook, respectively, both of which are considered investment grade ratings. We have targeted the attainment of stronger investment grade ratings of mid-to high-BBB and Baa categories for Standard & Poor s Ratings Services and Moody s Investors Service, respectively. However, our current ratings might not remain in effect for any given period of time, we might not be able to attain the higher ratings we have targeted and one or both of these ratings might be lowered or withdrawn entirely by the ratings agency. A credit rating is not a recommendation to buy, sell or hold securities, and may be revised or withdrawn at any time.

## Competitive Strengths

We believe that the following competitive strengths position us to successfully execute our principal business strategy:

***Many of our transportation segment and facilities segment assets are strategically located and operationally flexible.*** The majority of our primary transportation segment assets are in crude oil service, are located in well-established oil producing regions and transportation corridors, and are connected, directly or indirectly, with our facilities segment assets located at major trading locations and premium markets that serve as gateways to major North American refinery and distribution markets where we have strong business relationships.

***We possess specialized crude oil market knowledge.*** We believe our business relationships with participants in various phases of the crude oil distribution chain, from crude oil producers to refiners, as well as our own industry expertise, provide us with an extensive understanding of the North American physical crude oil markets.

***Our crude oil marketing activities are counter-cyclically balanced.*** We believe the variety of activities provided by our marketing segment provides us with a counter-cyclical balance that generally affords us the flexibility (i) to maintain a base level of margin irrespective of crude oil market conditions and (ii), in certain circumstances, to realize incremental margin during volatile market conditions.

***We have the evaluation, integration and engineering skill sets and the financial flexibility to continue to pursue acquisition and expansion opportunities.*** Over the past ten years, we have completed and integrated approximately 50 acquisitions with an aggregate purchase price of approximately $5.3 billion. We have also implemented internal expansion capital projects totaling over $1.3 billion. In addition, we believe we have significant resources to finance future strategic

expansion and acquisition opportunities. As of March 31, 2008, we had approximately $1.2 billion available under our committed revolving credit facilities, subject to continued covenant compliance.

***We have an experienced management team whose interests are aligned with those of our unitholders.*** Our executive management team has an average of more than 20 years of industry experience, and an average of more than 15 years with us or our predecessors and affiliates. In addition, through their ownership of common units, indirect interests in our general partner, grants of phantom units and the Class B units in Plains AAP, L.P., a Delaware limited partnership and the sole member of our general partner, our management team has a vested interest in our continued success.

We believe these competitive strengths will aid our efforts to expand our presence in the refined products, LPG and natural gas storage sectors.

**Recent Developments**

*Rainbow Pipe Line Company Acquisition*

On April 7, 2008, we announced that through our subsidiary, Plains Midstream Canada ULC, we have signed a definitive agreement to acquire all of the outstanding shares of Rainbow Pipe Line Company, Ltd. ( Rainbow ) for approximately C$540 million, subject to certain closing adjustments. At closing, we will also acquire approximately 1 million barrels of crude oil linefill, at a cost based upon crude oil prices at such time. The transaction is subject to receipt of regulatory approvals and satisfaction of customary closing conditions and is currently expected to close during the second quarter of 2008.

Rainbow s assets consist of 480 miles of mainline crude oil pipeline extending to Edmonton, Alberta from the terminus of Enbridge s Norman Wells Pipeline at Zama, Alberta, approximately 140 miles of gathering pipelines, approximately 570,000 barrels of tankage along the system and 1 million barrels of crude oil linefill. The system currently has a throughput capacity of approximately 200,000 barrels per day and 2007 volumes on the system averaged approximately 195,000 barrels per day. Volumes transported on the system consist of oil received from the Norman Wells Pipeline, light oil from areas adjacent to the system, and heavy oil from the Peace River oil sands deposit and the Wabasca area of the Athabasca oil sands deposit. The transaction includes long-term shipping agreements with the sellers, which encompass production in the area adjacent to the Rainbow system.

We anticipate substantially integrating these assets into our existing operations and realizing a meaningful amount of synergies within six months of closing, and also expect the acquisition to be accretive to distributable cash flow within that time period. Substantially all near-term synergies are expected to be realized within eighteen months following closing, and we anticipate that there will be additional synergies and capital investment opportunities for several years thereafter.

On April 17, 2008, we announced that in recognition of the synergy phase-in period, the desire to accelerate the benefits of the transaction to the limited partners and the desire to increase the overall distribution coverage ratio during such time period, our general partner has agreed to reduce the distributions otherwise payable to it for a six-quarter period following closing of the Rainbow acquisition. The incentive distributions otherwise payable to the owners of our general partner will be reduced by $2.5 million for each of the first two full quarters following the closing and $1.25 million for each of the four quarters thereafter. These reductions will total $10 million over an eighteen month period and are subject to the completion of the Rainbow acquisition.

*Distribution Increase*

On April 17, 2008, we announced a cash distribution of $0.865 per unit ($3.46 per unit on an annualized basis) on all of our outstanding limited partner units. The distribution will be payable on May 15, 2008 to holders of record of such units at the close of business on May 5, 2008. The units

purchased in this offering will not be entitled to receive the distribution payable on May 15, 2008. The distribution represents an increase of approximately 6.5% over the quarterly distribution of $0.8125 per unit paid in May 2007 and an increase of approximately 1.8% over the February 2008 distribution of $0.85 per unit.

*Notes Offering*

On April 23, 2008, we completed a private placement of $600 million of our 6.5% Senior Notes due 2018.

**The Offering**

| | |
|---|---|
| Common units we are offering | 6,000,000 common units; 6,900,000 common units if the underwriters exercise their option to purchase additional common units in full. |
| Units outstanding after this offering | 121,981,676 common units if the underwriters do not exercise their option to purchase additional common units and 122,881,676 common units if the underwriters exercise their option to purchase additional common units in full. |
| Use of proceeds | We intend to use the net proceeds from this offering of approximately $274 million, including our general partner s proportionate capital contribution after deducting the underwriting discounts and commissions and estimated offering expenses, to reduce outstanding borrowings under our credit facilities, which may be reborrowed to fund our capital program, including the acquisition of Rainbow and other acquisitions, and for general partnership purposes. Affiliates of Wachovia Capital Markets, LLC, Citigroup Global Markets Inc., UBS Securities LLC, J.P. Morgan Securities, Inc. and RBC Capital Markets Corporation, are lenders under our credit facilities, and accordingly, will receive a substantial portion of the proceeds from this offering pursuant to the repayment of borrowings under such facilities. |
| Cash distributions | Under our partnership agreement, we must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner in its discretion. We refer to this cash as available cash, and we define its meaning in our partnership agreement.<br><br>Under the quarterly incentive distribution provisions in our partnership agreement, generally our general partner is entitled, following the distribution of our minimum quarterly distribution of $0.45 per common unit and without duplication, to 15% of amounts we distribute until each unitholder receives a total of $0.495 per common unit, 25% of amounts we distribute until each unitholder receives a total of $0.675 per common unit and 50% thereafter. For a description of our cash distribution policy, please read Cash Distribution Policy in the accompanying prospectus.<br><br>On April 17, 2008, we announced that in recognition of the synergy phase-in period, the desire to accelerate the benefits of the transaction to the limited partners and the desire to increase the overall distribution coverage ratio during such time period, our general partner has agreed to reduce the distributions otherwise payable to it for a six-quarter period following closing of the Rainbow acquisition. The incentive distributions otherwise payable to the owners of our general partner will be reduced by $2.5 million for each of the first two full quarters following the closing and $1.25 million for each of the four quarters thereafter. These reductions will total $10 million over an eighteen month period and are subject to the completion of the Rainbow acquisition. |

| | |
|---|---|
| Estimated ratio of taxable income to distributions | We estimate that if you own the common units you purchase in this offering through the record date for the distribution for the period ending December 31, 2010, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed to you with respect to that period. Please read Tax Considerations in this prospectus supplement for the basis of this estimate. |
| New York Stock Exchange symbol | PAA. |

## RISK FACTORS

*Before making an investment in the common units offered hereby, you should carefully consider the risk factors beginning on page 5 of the accompanying prospectus, those included in Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2007 and those included in our quarterly report on Form 10-Q for the quarter ended March 31, 2008, together with all of the other information included or incorporated by reference in this prospectus. If any of these risks were to occur, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our common units could decline, and you could lose all or part of your investment.*

## USE OF PROCEEDS

The net proceeds of this offering will be approximately $274 million, including our general partner s proportionate capital contribution, after deducting the underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering (as well as the proceeds from any exercise of the underwriters option to purchase additional common units) to reduce outstanding borrowings under our credit facilities, which may be re-borrowed to fund our capital program, including the acquisition of Rainbow and other acquisitions, and for general partnership purposes. Affiliates of Wachovia Capital Markets, LLC, Citigroup Global Markets Inc., UBS Securities LLC, J.P. Morgan Securities, Inc. and RBC Capital Markets Corporation are lenders under our credit facilities, and accordingly, will receive a substantial portion of the proceeds from this offering pursuant to the repayment of borrowings under such facilities. At March 31, 2008, we had approximately $710 million of debt outstanding under our revolving credit facilities with a weighted average interest rate of 3.5%. Substantially all of the borrowings we are repaying were used for (i) hedging LPG and crude oil inventory, (ii) NYMEX and ICE margin deposits and (iii) working capital requirements.

## PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of May 1, 2008, we had 115,981,676 common units outstanding, held by approximately 69,000 holders, including common units held in street name. Our common units are traded on the New York Stock Exchange under the symbol PAA.

The following table sets forth, for the periods indicated, the high and low sales prices for the common units, as reported on the New York Stock Exchange Composite Transactions Tape, and quarterly cash distributions declared per common unit. The last reported sale price of common units on the New York Stock Exchange on May 6, 2008 was $47.38 per common unit.

| | Common Unit Price Range | | Cash Distributions Per Unit(1) |
|---|---|---|---|
| | High | Low | |
| **2006** | | | |
| First Quarter | $ 47.00 | $ 39.81 | $ 0.7075 |
| Second Quarter | 48.92 | 42.81 | 0.7250 |
| Third Quarter | 47.35 | 43.21 | 0.7500 |
| Fourth Quarter | 53.23 | 45.20 | 0.8000 |
| **2007** | | | |
| First Quarter | $ 59.33 | $ 49.56 | $ 0.8125 |
| Second Quarter | 64.82 | 56.32 | 0.8300 |
| Third Quarter | 65.24 | 52.01 | 0.8400 |
| Fourth Quarter | 57.09 | 46.25 | 0.8500 |
| **2008** | | | |
| First Quarter | $ 52.44 | $ 43.93 | $ 0.8650(2) |
| Second Quarter (through May 6, 2008) | 50.96 | 46.28 | (3) |

(1) Represents cash distributions attributable to the quarter and paid within 45 days after the quarter.

(2) On April 17, 2008, we announced a cash distribution of $0.8650 per unit on all of our outstanding common units. This distribution will be payable on May 15, 2008 to the holders of record of such units at the close of business on May 5, 2008.

(3) Cash distributions in respect of the second quarter of 2008 have not been declared or paid.

## CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2008 (1) on a historical, unaudited basis, (2) as adjusted for our recent private placement of $600 million of 6.5% Senior Notes due 2018 and the application of the net proceeds therefrom and (3) as further adjusted to give effect to the sale of the common units offered by this prospectus supplement, the application of the net proceeds therefrom and our general partner s proportionate capital contribution, net of offering expenses. This information should be read in conjunction with our financial statements and the notes thereto that are incorporated by reference into this prospectus.

| | March 31, 2008 | | |
|---|---|---|---|
| | Actual | As Adjusted for Notes Offering | As Further Adjusted for this Offering |
| | (In millions) | | |
| **Cash and cash equivalents** | $ 17 | $ 17 | $ 173 |
| **Short-term debt(1)** | $ 700 | $ 108 | $ 2 |
| **Long-term debt:** | | | |
| Long-term debt under credit facilities and other(1) | $ 13 | $ 13 | $ 2 |
| Senior notes, net of unamortized net premium and discount | 2,623 | 3,219 | 3,219 |
| Total long-term debt | 2,636 | 3,232 | 3,221 |
| **Partners capital:** | | | |
| Common unitholders | $ 3,251 | $ 3,251 | $ 3,520 |
| General partner | 79 | 79 | 84 |
| Total partners capital | 3,330 | 3,330 | 3,604 |
| Total capitalization | $ 5,966 | $ 6,562 | $ 6,825 |

(1) At March 31, 2008, we have classified $284 million of borrowings under our senior unsecured revolving credit facility as short-term. These borrowings are designated as working capital borrowings, must be repaid within one year and are primarily for hedged LPG and crude oil inventory and NYMEX and ICE margin deposits.

## TAX CONSIDERATIONS

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read Tax Considerations in the accompanying prospectus, as updated and supplemented by the discussion included herein. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us. Instead we rely on the opinion of Vinson & Elkins L.L.P. that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions, we will be treated as a partnership for federal income tax purposes. If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

*Tax Consequences of Unit Ownership*

***Ratio of Taxable Income to Distributions.*** We estimate that a purchaser of common units in this offering who holds those common units from the date of closing of this offering through December 31, 2010 will be allocated an amount of federal taxable income for that period that will be less than 20% of the cash distributed with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make the current quarterly distribution on all units and other assumptions with respect to capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of allocable taxable income to cash distributions to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if our gross income from operations exceeds the amount required to maintain current distributions on all units, yet we only distribute the current distributions on all units; or we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

***Tax Rates.*** In general, the highest effective U.S. federal income tax rate for individuals is currently 35%, and the maximum U.S. federal income tax rate for net capital gains of an individual where the asset disposed of was held for more than twelve months at the time of disposition, is currently 15%. Such long term capital gains rate for individuals is scheduled to remain at 15% for years 2008 through 2010 and then increase to 20% beginning January 1, 2011.

*Tax Treatment of Operations*

*Section 754 Election.*

Our method of depreciating the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of contributed property, to the extent of any unamortized book-tax disparity is consistent with the methods employed by other publicly traded partnerships, but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6). If we determine that our position may no longer be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach that we apply may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read Uniformity of Units in the accompanying prospectus. A unitholder s tax basis for his common units is reduced by his share of our deductions (whether or not such deductions were claimed on an individual s income tax return) so that any position we take that potentially understates deductions will overstate the unitholder s basis in his common units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Tax Considerations Disposition of Common Units Recognition of Gain or Loss in the accompanying prospectus. The IRS may challenge our position with respect to depreciating the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

*Tax-Exempt Organizations and Other Investors.*

Ownership of common units by tax-exempt entities and non-U.S. investors raises issues unique to such persons. Tax-exempt entities and non-U.S. investors are encouraged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances before investing. Please read Tax Considerations Tax-Exempt Organizations and Other Investors in the accompanying prospectus.

*Administrative Matters.*