

PACIFIC ENERGY PARTNERS LP  
Form 10-Q  
November 08, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

ý **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2004

OR

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from            to

Commission File Number 1-313345

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**PACIFIC ENERGY PARTNERS, L.P.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction

of incorporation or organization)

**68-0490580**  
(I.R.S. Employer Identification No.)

**5900 Cherry Avenue**

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**Long Beach, CA 90805-4408**

(Address of principal executive offices)

**(562) 728-2800**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 19,121,638 of the registrant's Common Units and 10,465,000 of the registrant's Subordinated Units outstanding at September 30, 2004.

PACIFIC ENERGY PARTNERS, L.P.

FORM 10-Q

TABLE OF CONTENTS

	<b><u>PART I. FINANCIAL INFORMATION</u></b>
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Condensed Consolidated Balance Sheets (Unaudited) As of September 30, 2004 and December 31, 2003</u>
	<u>Condensed Consolidated Statements of Income (Unaudited) For the Three and Nine Months Ended September 30, 2004 and 2003</u>
	<u>Condensed Consolidated Statement of Partners' Capital (Unaudited) For the Nine Months Ended September 30, 2004</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) For the Three and Nine Months Ended September 30, 2004 and 2003</u>
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited) For the Nine Months Ended September 30, 2004 and 2003</u>
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<b><u>PART II. OTHER INFORMATION</u></b>
<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 6.</u>	<u>Exhibits</u>

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## PACIFIC ENERGY PARTNERS, L.P. (Note 1)

## CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004		December 31, 2003	
	(in thousands) (unaudited)			
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$	14,528	\$	9,699
Crude oil sales receivable		35,470		33,766
Transportation and storage accounts receivable		21,071		16,828
Canadian value added tax receivable		7,099		
Crude oil inventory		10,637		2,272
Spare parts inventory		1,637		1,644
Prepaid expenses		5,799		4,182
Other		1,736		405
Total current assets		97,977		68,796
Property and equipment, net		713,351		567,954
Investment in Frontier		7,841		6,886
Other assets		48,771		6,567
	\$	867,940	\$	650,203
<b>LIABILITIES AND PARTNERS' CAPITAL</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$	9,291	\$	6,933
Accrued crude oil purchases		32,443		31,602
Accrued interest		5,448		2,690
Accrued insurance		3,428		1,883
Due to related parties (note 6)		374		580
Derivatives liability - current portion		2,537		4,986
Other		7,490		1,317
Total current liabilities		61,011		49,991
Senior notes and credit facilities, net of unamortized discount of \$4,278 at September 30, 2004 (note 3)		341,493		298,000
Deferred income taxes		36,641		
Derivatives liability				622
Other liabilities		7,185		6,523
Total liabilities and deferred income taxes		446,330		355,136
Commitments and contingencies (note 8)				
Partners' capital (note 5):				
		364,702		246,952

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Common unitholders (19,121,638 and 14,441,763 units outstanding at September 30, 2004 and December 31, 2003, respectively)				
Subordinated unitholders (10,465,000 units outstanding at September 30, 2004 and December 31, 2003)		43,631		49,010
General Partner interest		6,389		3,975
Undistributed employee long-term incentive compensation		957		738
Accumulated other comprehensive income (loss)		5,931		(5,608)
Net partners' capital		421,610		295,067
	\$	867,940	\$	650,203

See accompanying notes to condensed consolidated financial statements.

## PACIFIC ENERGY PARTNERS, L.P. (Note 1)

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2004		2003		2004		2003	
	(in thousands, except per unit amounts) (unaudited)							
Pipeline transportation revenue	\$	28,160	\$	25,501	\$	79,879	\$	76,579
Storage and distribution revenue		8,391		4,710		27,773		4,710
Pipeline buy/sell transportation revenue		7,972				11,662		
Crude oil sales, net of purchases of \$103,192 and \$96,833 for the three months ended September 30, 2004 and 2003 and \$278,689 and \$271,554 for the nine months ended September 30, 2004 and 2003		3,568		5,907		14,436		16,516
Net revenue before operating expenses		48,091		36,118		133,750		97,805
Expenses:								
Operating		22,589		16,630		62,189		43,622
Transition costs		199				383		397
General and administrative		3,762		3,305		11,252		10,289
Depreciation and amortization		6,821		5,049		17,776		13,435
		33,371		24,984		91,600		67,743
Share of net income of Frontier		406		414		1,190		1,141
Operating income		15,126		11,548		43,340		31,203
Interest expense		(5,234)		(4,782)		(13,743)		(12,930)
Write-off of deferred financing cost and interest rate swap termination expense (note 4)						(2,901)		
Other income		219		113		606		360
Income before income taxes		10,111		6,879		27,302		18,633
Income tax expense:								
Current		118				150		
Deferred		103				57		
		221				207		
Net income	\$	9,890	\$	6,879	\$	27,095	\$	18,633
Net income for the general partner interest	\$	198	\$	138	\$	542	\$	373
Net income for the limited partner interests	\$	9,692	\$	6,741	\$	26,553	\$	18,260
Basic net income per limited partner unit	\$	0.33	\$	0.30	\$	0.95	\$	0.85
Diluted net income per limited partner unit	\$	0.33	\$	0.30	\$	0.94	\$	0.84
Weighted average limited partner units outstanding:								
Basic		29,574		22,532		28,008		21,470
Diluted		29,682		22,725		28,125		21,648

See accompanying notes to condensed consolidated financial statements.



## PACIFIC ENERGY PARTNERS, L.P. (Note 1)

## CONDENSED CONSOLIDATED STATEMENT OF PARTNERS CAPITAL

	Limited Partner Units		Limited Partner Amounts		General Partner Interest	Undistributed Employee Long-Term Incentive Compensation	Accumulated Other Comprehensive Income (Loss)	Total
	Common	Subordinated	Common	Subordinate				
	(in thousands) (unaudited)							
Balance, December 31, 2003	14,442	10,465	\$ 246,952	\$ 49,010	\$ 3,975	\$ 738	\$ (5,608)	\$ 295,067
Net income			16,627	9,926	542			27,095
Distribution to partners			(25,659)	(15,305)	(836)			(41,800)
Issuance of common units, net of fees and offering expenses (note 5)	4,625		125,881					125,881
General partner contribution related to issuance of common units (note 5)					2,690			2,690
Undistributed employee compensation under long-term incentive plan						1,777		1,777
Issuance of common units pursuant to long-term incentive plan	55		901		18	(1,558)		(639)
Foreign currency translation adjustment							7,742	7,742
Change in fair value of hedging derivatives							3,797	3,797
Balance, September 30, 2004	19,122	10,465	\$ 364,702	\$ 43,631	\$ 6,389	\$ 957	\$ 5,931	\$ 421,610

See accompanying notes to condensed consolidated financial statements.





**PACIFIC ENERGY PARTNERS, L.P. (Note 1)**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004		2003	2004		2003
	(in thousands) (unaudited)					
Net income						