

## PART I

### Items 1 and 2. *Business and Properties*

#### General

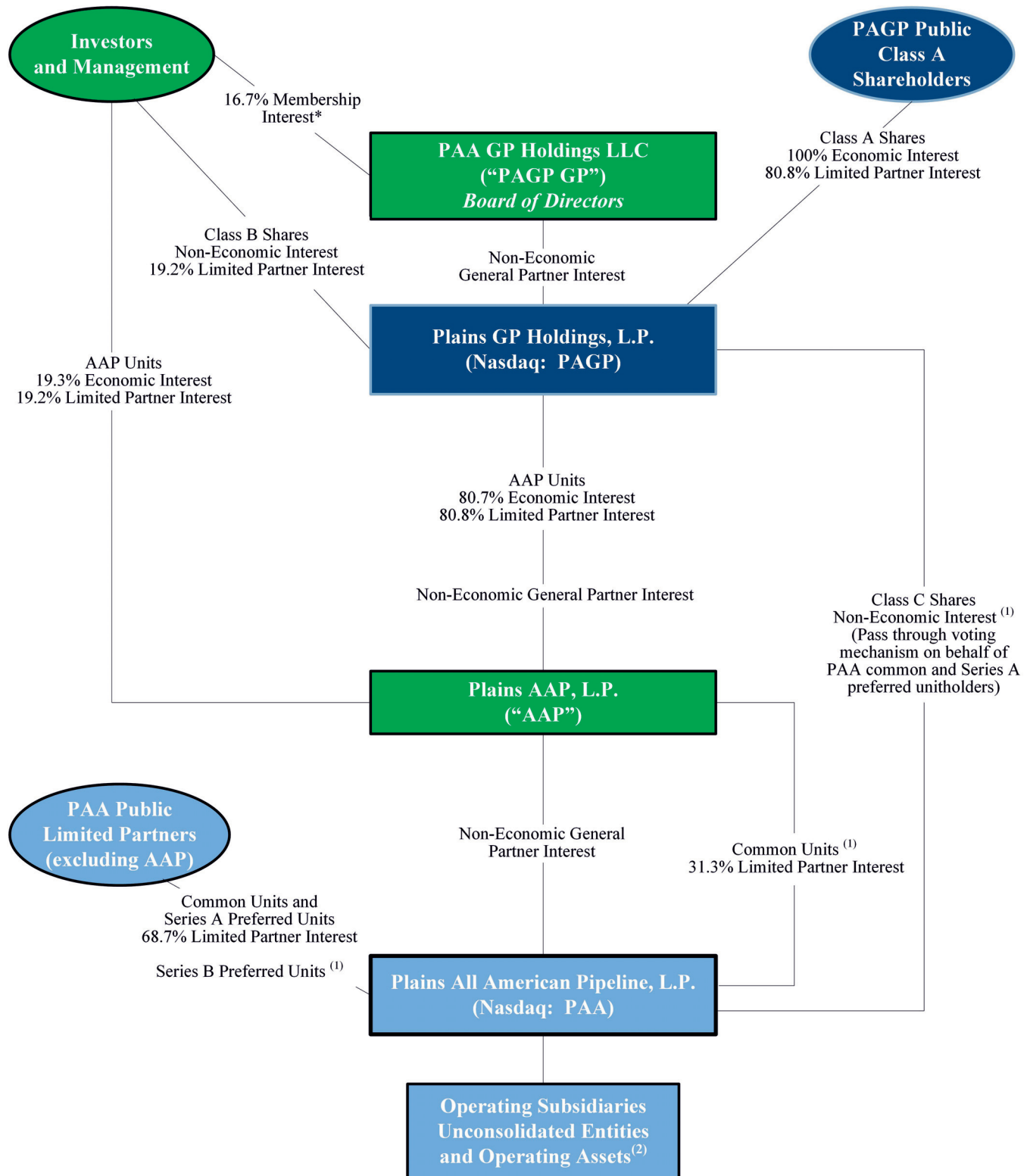
Plains All American Pipeline, L.P. is a publicly traded Delaware limited partnership. Our common units are listed on the Nasdaq Global Select Market (“Nasdaq”) under the ticker symbol “PAA.” Our business model integrates large-scale supply aggregation capabilities with the ownership and operation of critical midstream infrastructure systems that connect major producing regions to key demand centers and export terminals. As one of the largest midstream service providers in North America, we own an extensive network of pipeline transportation, terminalling, storage and gathering assets in key crude oil and natural gas liquids (“NGL”) producing basins (including the Permian Basin) and transportation corridors and at major market hubs in the United States and Canada. Our assets and the services we provide are primarily focused on crude oil and NGL.

Our business is based on the fundamental thesis that hydrocarbons are essential to the security and advancement of human quality of life and will continue to play a major long-term role in the world economy. We further believe that midstream energy infrastructure provides a critical link between energy supply and demand, and is fundamental to the maintenance and advancement of our modern-day standard of living. Acknowledging the need for multiple forms of energy to meet growing world-wide demand, we believe absolute hydrocarbon demand will increase over time, driven by global population growth and a desire to improve quality of life in lesser developed countries throughout the world. Furthermore, we believe existing energy infrastructure will play a critical role in supporting emerging energy and energy transition initiatives. As a result, we believe that midstream energy infrastructure will remain a critical and valuable component of the energy industry value chain.

Our assets are owned, and our operations are conducted, directly and indirectly through our primary operating subsidiaries. As used in this Form 10-K and unless the context indicates otherwise, the terms “Partnership,” “Plains,” “PAA,” “we,” “us,” “our,” “ours” and similar terms refer to Plains All American Pipeline, L.P. and its subsidiaries.

## Organizational Structure

The diagram below shows our organizational structure as of December 31, 2022 in a summarized format:



\* The remaining 83.3% membership interest in PAGP GP is owned by PAGP.

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- (1) Each Class C share represents a non-economic limited partner interest in PAGP. The number of Class C shares that we own is equal to the number of outstanding common units and Series A Preferred units (“Common Unit Equivalents”) that are entitled to vote, pro rata with the holders of PAGP Class A and Class B shares, for the election of eligible PAGP GP directors. Thus, the Class C shares function as a “pass-through” voting mechanism through which we vote at the direction of and as proxy for our common unitholders and Series A preferred unitholders in such director elections. Common units held by AAP and Series B preferred units are not entitled to vote in the election of directors.
- (2) The Partnership holds (i) direct and indirect ownership interests in consolidated operating subsidiaries including, but not limited to, Plains Marketing, L.P., Plains Pipeline, L.P., Plains Midstream Canada ULC (“PMCULC”), Plains Oryx Permian Basin LLC (the “Permian JV”), Cactus II Pipeline LLC (“Cactus II”) and Red River Pipeline Company LLC (“Red River”) and (ii) indirect equity interests in unconsolidated entities including, but not limited to, BridgeTex Pipeline Company, LLC, Capline Pipeline Company LLC, Diamond Pipeline LLC, Eagle Ford Pipeline LLC, Eagle Ford Terminals Corpus Christi LLC, Saddlehorn Pipeline Company, LLC, White Cliffs Pipeline, L.L.C. and Wink to Webster Pipeline LLC.

## **Business Strategy**

Our principal business strategy is to provide competitive and efficient midstream infrastructure and logistics services to producers, refiners and other customers. We strive to address regional supply and demand imbalances for crude oil and NGL in the United States and Canada by combining the strategic location and capabilities of our transportation, terminalling, storage, processing and fractionation assets with our commercial expertise. We intend to execute our strategy by:

- Focusing on operational excellence, continuous improvement and running a safe, reliable, and environmentally and socially responsible operation;
- Using our well positioned network of midstream infrastructure in conjunction with our commercial capabilities to provide our customers with market access, flexibility and value chain solutions, capture market opportunities, address physical market imbalances, mitigate risks and generate and grow sustainable cash flow and margin;
- Optimizing and enhancing our asset portfolio and operations (through disciplined and accretive capital investments and through the pursuit of emerging energy opportunities) to maximize returns on invested capital; and
- Pursuing a balanced, long-term financial strategy that is focused on maintaining an investment grade credit profile and enhancing financial flexibility by making disciplined capital allocation decisions.

We believe successful execution of this strategy will enable us to generate and grow sustainable earnings and cash flow, and will position us to maintain an investment grade credit profile and increase returns to equity holders over time, while also continuing to migrate leverage lower.

## Competitive Strengths

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

- *We own a strategically located, geographically diverse and interconnected large-scale asset base that provides operational flexibility and commercial optionality.* The majority of our primary transportation assets are in crude oil service, are located in well-established crude oil producing regions (with our largest asset presence in the Permian Basin) and other transportation corridors and are connected, directly or indirectly, with our terminals and facilities assets. The majority of our terminals and facilities assets are located at major trading locations and premium markets that serve as gateways to major North American refinery and distribution markets and key export terminals where we have strong business relationships. In addition, our pipeline, rail, truck and storage assets provide our customers and us with significant flexibility and optionality to satisfy demand and balance markets, and participate in emerging energy opportunities.
- *Our full-service integrated model and long-term focus attracts a broad, diverse and high-quality customer base that supports sustainable fee-based cash flow generation.* Our strategically located and interconnected asset base enables us to provide our customers with a wide variety of services, including supply aggregation, quality segregation, flow assurance and market access. We focus on building long-term relationships and alignment of interests with our customers. We believe this approach has helped us build a high-quality portfolio of customers and contracts (including long-term, third-party transportation contracts and acreage dedication contracts) that provide long-term volume support for our assets and, in turn, support long-term fee-based cash flow generation from our assets.
- *We possess specialized crude oil and NGL market knowledge.* We believe our business relationships with participants in various phases of the crude oil and NGL distribution chain, from producers to refiners, as well as our own industry expertise (including our knowledge of North American crude oil and NGL flows), provide us with extensive market insight and an understanding of the North American physical crude oil and NGL markets that enables us to provide value chain solutions for our customers.
- *Our merchant activities provide us with the opportunity to realize incremental margins.* We believe the variety of our merchant activities provides us with a low-risk opportunity to generate incremental margin, the amount of which may vary depending on market conditions (such as differentials and certain competitive factors).
- *We have the financial, strategic and technical skills needed to execute strategic transactions that support our business and financial objectives, including joint ventures, joint ownership arrangements, acquisitions and divestitures.* Since 2016 through December 31, 2022, we have consummated over 10 joint venture and/or joint ownership arrangements, including the Permian JV formation completed in October 2021, and completed more than \$4.6 billion of divestitures of non-core assets and/or strategic sales of partial interests in selected assets.
- *We have an experienced management team whose interests are aligned with those of our equity holders.* Our executive management team has an average of 30+ years of experience spanning across all sectors of the energy industry, as well as investment banking, and an average of over 15 years of experience with us or our predecessors and affiliates. In addition, through their ownership of equity interests and grants of long-term equity incentive awards, our management team has a vested interest in our continued success that is aligned with the interests of our equity holders.

## Financial Strategy

Our financial strategy and long-term capital allocation framework is focused on generating meaningful multi-year free cash flow and improving shareholder returns by (i) increasing returns of capital to equity holders, primarily through increased distributions, (ii) making disciplined accretive investments and (iii) maintaining an investment grade credit profile and ensuring balance sheet flexibility. Since the completion of our initial public offering in 1998, we have completed and integrated over 100 acquisitions with an aggregate purchase price of approximately \$14.0 billion, implemented investment capital projects totaling approximately \$17.3 billion, returned \$17.2 billion to our equity holders, primarily in the form of distributions, and enhanced our credit rating to investment grade from non-investment grade.

### *Targeted Credit Profile*

As part of our financial strategy, we intend to maintain a credit profile that we believe is consistent with investment grade credit ratings. We target a credit profile with the following attributes:

- a leverage multiple averaging between 3.75x to 4.25x, which is calculated as total debt plus 50% of preferred units, divided by Adjusted EBITDA attributable to PAA (this is roughly equivalent to a long-term debt-to-Adjusted EBITDA attributable to PAA multiple of between 3.0x and 3.5x);
- an average long-term debt-to-total capitalization ratio of approximately 50% or less;
- an average total debt-to-total capitalization ratio of approximately 60% or less; and
- an average Adjusted EBITDA-to-interest coverage multiple of approximately 3.3x or better.

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Non-GAAP Financial Measures” for our definition of Adjusted EBITDA and a reconciliation to Adjusted EBITDA attributable to PAA.

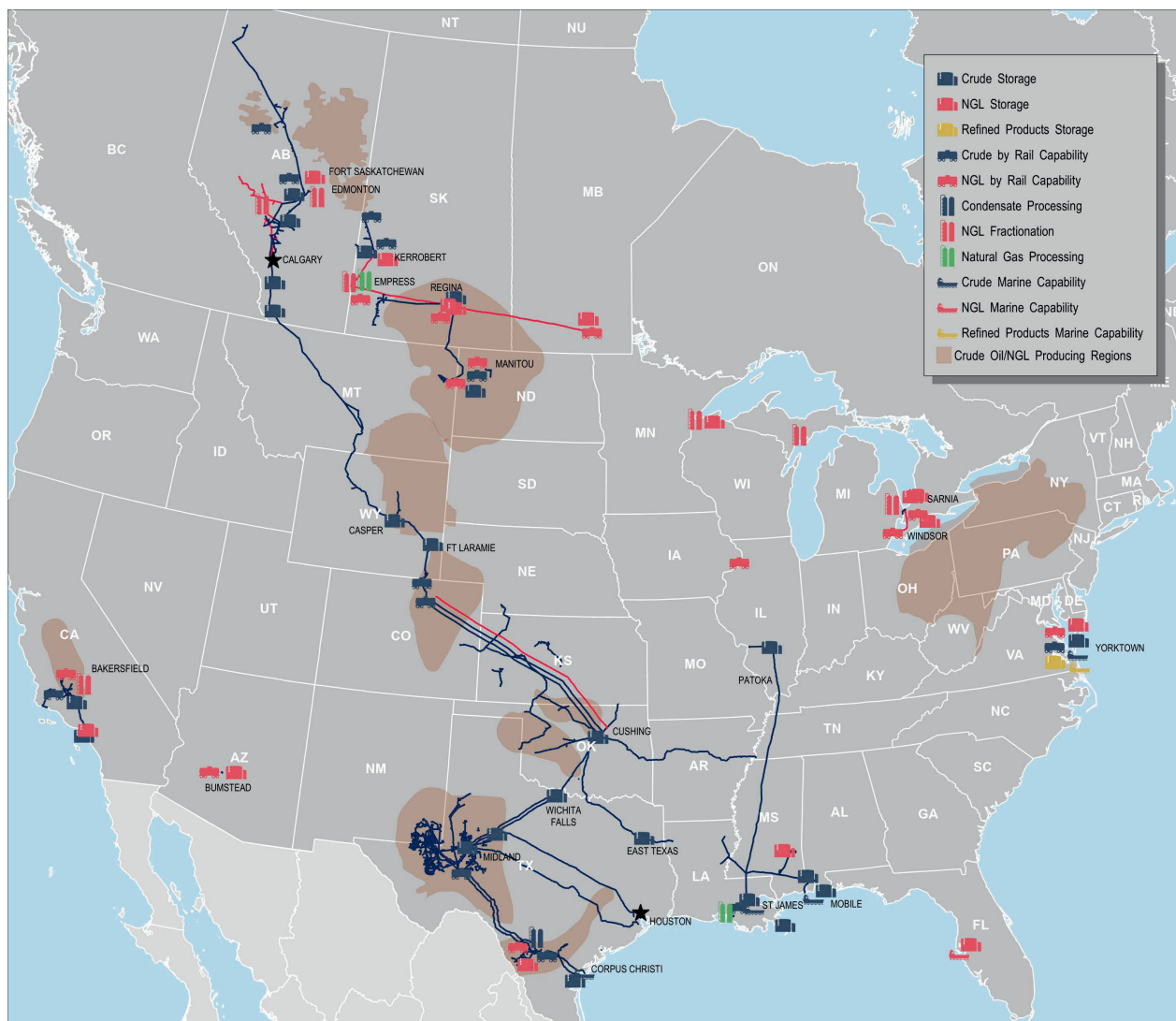
At December 31, 2022, our publicly-traded senior notes comprised approximately 99% of our long-term debt. Additionally, we also routinely incur short-term debt primarily in connection with our merchant activities that involve the simultaneous purchase and forward sale of crude oil and NGL. The crude oil and NGL purchased in these transactions are volumetrically hedged. These borrowings are self-liquidating as they are repaid with sales proceeds. We also incur short-term debt to fund New York Mercantile Exchange (“NYMEX”) and Intercontinental Exchange (“ICE”) margin requirements. In certain market conditions, these routine short-term debt levels may increase above baseline levels. Similar to our working capital borrowings, these borrowings are self-liquidating. We do not consider the working capital borrowings or margin requirements associated with these activities to be part of our long-term capital structure.

## Values and Sustainability

Our Core Values include Safety and Environmental Stewardship; Ownership and Accountability; Respect, Fairness, and Inclusion; Ethics and Integrity; Teamwork; and Entrepreneurship and Innovation. Our Code of Business Conduct sets forth the ways in which these Core Values govern how we conduct ourselves and engage in business relationships. Our approach to sustainability involves integrating prudent environmental, social and governance (“ESG”) practices throughout the organization with a focus on transparency and building trust among stakeholders, managing operating and business risks and minimizing environmental impacts, and utilizing our people, assets and systems to maximize long-term value for our stakeholders. The tenets of sustainability align with our values, underpin our business strategy and offer a framework to measure and report our progress. Annual environmental, safety and operational performance targets help us measure progress toward meeting our sustainability objectives. Performance against such targets is also a factor in determining annual bonus compensation for our employees, which further incentivizes desired behaviors and outcomes. In addition, our Health, Safety, Environmental and Sustainability (“HSES”) Board Committee provides additional oversight and perspectives with respect to HSES matters. Additional information regarding our Core Values and our commitment to environmental and social responsibility, including our annual Sustainability report, is available in the Sustainability section of our website. See “—Available Information” below.

## Description of Segments and Associated Assets

Our business activities are conducted through two segments — Crude Oil and Natural Gas Liquids (“NGL”). We have an extensive network of pipeline transportation, terminalling, storage and gathering assets in key crude oil and NGL producing basins and transportation corridors and at major market hubs in the United States and Canada.



Following is a description of the activities and assets for each of our segments.

### Crude Oil Segment

#### Crude Oil Market and Business Overview

Crude oil is a global commodity that serves as feedstock for many of the world’s essential refined products such as transportation fuels (gasoline, diesel, jet fuel) and heating oil, among others. While commodities are typically considered unspecialized, mass-produced and fungible, crude oil is neither unspecialized nor fungible. The crude slate available to North American and world-wide refineries consists of a substantial number of different grades and varieties. Each crude oil grade has distinguishing physical properties. For example, specific gravity (generally referred to as light or heavy), sulfur content (generally referred to as sweet or sour) and metals content, along with other characteristics, collectively result in varying economic attributes of a particular grade or type of crude oil. In many cases, these factors result in the need for such grades to be batched or segregated in the transportation and storage processes, blended to precise specifications or adjusted in value.

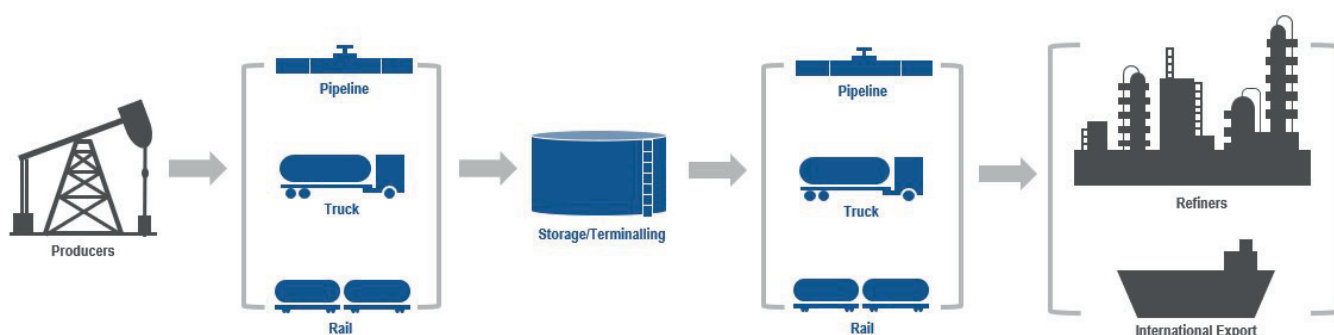


The lack of fungibility of the various grades of crude oil creates logistical transportation, terminalling and storage challenges and inefficiencies associated with regional volumetric supply and demand imbalances. These logistical inefficiencies are created as certain qualities of crude oil are indigenous to particular regions or countries. Also, each refinery has a distinct configuration of process units designed to handle particular grades of crude oil. The relative yields and the cost to obtain, transport and process the crude oil, combined with the value of finished goods created, drive a refinery's choice of feedstock.

Our business model integrates large-scale supply aggregation capabilities with the ownership and operation of critical infrastructure systems that connect major producing regions (supply) to key demand centers (refineries) and export terminals. Our assets and our business strategy are designed to serve our producer and refiner customers by addressing regional crude oil supply and demand imbalances that exist in the United States and Canada. The nature and extent of supply and demand imbalances change from time to time as a result of a variety of factors, including global demand for exports; regional production declines and/or increases; refinery expansions, modifications and shut-downs; available transportation and storage capacity; and government mandates and related regulatory factors.

Our Crude Oil segment operations generally consist of gathering and transporting crude oil using pipelines, gathering systems, trucks and at times on barges or railcars, in addition to providing terminalling, storage and other facilities-related services utilizing our integrated assets across the United States and Canada. Our assets serve third parties and are also supported by our merchant activities. Our merchant activities include the purchase of crude oil supply and the movement of this supply on our assets or third-party assets to sales locations, including our terminals, third-party connecting carriers, regional hubs or to refineries.

The figure below provides an illustrative and simplified overview of the assets and activities associated with our Crude Oil segment:



With respect to the transportation assets in this segment, we primarily generate revenue through a combination of tariffs, pipeline capacity agreements and other transportation fees. With respect to our crude oil terminal and condensate processing assets in this segment, we primarily generate revenue through a combination of month-to-month and multi-year agreements and arrangements which include (i) storage, throughput and loading/unloading fees at our crude oil terminals, and (ii) fees from condensate processing services. We also generate significant revenue through a variety of commercial and merchant activities that often result in increased utilization of our transportation and storage assets.

### Crude Oil Segment Assets Overview

As of December 31, 2022, the assets utilized in our Crude Oil segment included the following:

- 18,075 miles of active crude oil transportation pipelines and gathering systems;
- 72 million barrels of commercial crude oil storage capacity at our terminalling and storage locations;
- 39 million barrels of active, above-ground tank capacity used to facilitate pipeline throughput or support our rail assets and help maintain product quality segregation;
- four marine facilities in the United States;
- a condensate processing facility located in the Eagle Ford area of South Texas with an aggregate processing capacity of 120,000 barrels per day;
- seven crude oil rail terminals with aggregate loading and unloading capacity of 264,000 and 350,000 barrels per day, respectively;

- 2,100 crude oil railcars; and
- 720 trucks and 1,440 trailers.

Additionally, our assets include the linefill associated with our commercial activities, including approximately:

- 15 million barrels of crude oil linefill in pipelines and tanks owned by us; and
- 3 million barrels of crude oil utilized as linefill in pipelines owned by third parties or otherwise required as long-term inventory.

The following table presents additional information about our pipelines and terminals by geographic location, including active pipeline miles and commercial storage capacity as of December 31, 2022 and average daily volumes transported on our crude oil pipelines for the year ended December 31, 2022:

Region	Ownership Percentage	Approximate System Miles <sup>(1)</sup>	2022 Average Barrels per Day <sup>(2)</sup> (in thousands)	Commercial Storage Capacity <sup>(3)</sup> (in millions)
Permian Basin:				
Gathering pipelines <sup>(4)</sup>	65%	4,915	2,346	
Intra-basin pipelines <sup>(4) (5)</sup>	65% - 100%	785	2,084	
Long-haul pipelines <sup>(5)</sup>	16% - 100%	1,620	1,208	
Permian Basin		7,320	5,638	8
South Texas/Eagle Ford	50% - 100%	800	357	1
Mid-Continent	50% - 100%	2,440	512	36
Gulf Coast	54% - 100%	1,155	219	24
Rocky Mountain	21% - 100%	3,365	332	3
Canada	100%	2,570	328	—
Western	100%	425	179	—
<b>Total</b>		<b>18,075</b>	<b>7,565</b>	<b>72</b>

<sup>(1)</sup> Includes total mileage of pipelines in which we own less than 100%.

<sup>(2)</sup> Represents average daily volumes for the entire year attributable to our interest for pipelines owned by consolidated entities, unconsolidated entities or through undivided joint interests. Average daily volumes are calculated as the total volumes (attributable to our interest) for the year divided by the number of days in the year. Volumes reflect tariff movements and thus may be included multiple times as volumes move through our integrated system. Volumes associated with assets acquired during the year represent total volumes for the number of days we actually owned the assets divided by the number of days in the period.

<sup>(3)</sup> Commercial storage capacity in millions of barrels. Does not include operational storage capacity used to facilitate pipeline throughput and maintain product quality segregation.

<sup>(4)</sup> All of our gathering pipelines and a majority of our intra-basin pipelines in the Permian Basin are owned by the Permian JV, a consolidated entity in which we own a 65% interest. The Permian JV has a 57% interest in an unconsolidated entity that owns one of the gathering pipelines and a 63% undivided joint interest in one of the intra-basin pipelines in the Permian Basin.

<sup>(5)</sup> Includes pipelines operated by a third party.



## Crude Oil Infrastructure

A significant portion of our crude oil assets are interconnected and are operated as a contiguous system. The following descriptions are organized by geographic location and asset type and represent our most significant assets. Pipeline capacities throughout these descriptions are based on our reasonable estimate of volumes that can be delivered from origin to final destination on our pipeline systems. We report pipeline volumes based on the tariffs charged for individual movements, some of which may only utilize a certain segment of a pipeline system (i.e. two short-haul movements on a pipeline from point A to point B and another from point B to point C would double the pipeline tariff volumes on a particular system versus a single point A to point C movement). As a result, at times, our reported tariff barrel movements may exceed our total capacity.

Our crude oil pipelines are comprised of:

- *gathering pipelines* that move crude oil from wellhead or central battery connections to regional market hubs;
- *intra-basin pipelines* that are used as a hub system allowing for a significant amount of flexibility by creating connections between regional hub locations; and
- *long-haul pipelines* that move crude oil from (i) regional market hubs to major market hubs such as Cushing, Oklahoma or to export facilities, including our Corpus Christi terminal, or (ii) a refinery or other major market hubs, such as the Houston market.

Our crude oil terminals have significant flexibility and operational capabilities, including large-scale multi-grade handling and segregation capabilities and multiple marine transportation loading and unloading capabilities. Our largest crude oil terminals are located in key market hubs, including Cushing, Oklahoma; St. James, Louisiana; Midland, Texas; and Patoka, Illinois, and have connectivity to major inbound and outbound pipelines and other terminals at these hubs.

Our most significant assets are described further below by region.

### **Permian Basin**

*Gathering Pipelines.* We operate approximately 4,900 miles of gathering pipelines in both the Midland Basin and the Delaware Basin that in aggregate represent approximately 3.7 million barrels per day of pipeline capacity. This gathering capacity includes pipeline capacity that delivers volumes to regional market hubs. Approximately 80% of the capacity of our gathering systems is in the Delaware Basin. Our gathering pipelines are supported by long-term acreage dedications. All of our gathering pipelines in the Permian Basin are owned by the Permian JV, a consolidated entity in which we own a 65% interest.

*Intra-Basin Pipelines.* Our intra-basin pipeline system in the Permian Basin has a capacity of approximately 3.1 million barrels per day and connects gathering pipelines and truck injection volumes to our owned and operated as well as third-party mainline pipelines that transport crude oil to major market hubs. This interconnected pipeline system is designed to provide shippers with flow assurance, flexibility and access to multiple markets and support downstream movements on certain Permian Basin long-haul pipelines. A majority of the intra-basin pipeline system is owned by the Permian JV, a consolidated entity in which we own a 65% interest.

*Long-Haul Pipelines.* We own interests in multiple long-haul pipeline systems that, on a combined basis, represent approximately 2.1 million barrels per day of currently operational takeaway capacity out of the Permian Basin to major market hubs in Corpus Christi and Houston, Texas and Cushing, Oklahoma. Our long-haul pipelines are supported by long-term commitments. Below is a description of some of our most significant long-haul pipeline systems originating from the Permian Basin region.

### **Permian to Cushing/Mid-Continent**

- *Basin Pipeline (Permian to Cushing).* We own an 87% undivided joint interest (“UJI”) in and are the operator of Basin Pipeline. Basin Pipeline has three primary origination locations: Jal, New Mexico; Wink, Texas; and Midland, Texas and, in addition to making intra-basin movements, serves as the primary route for transporting crude oil from the Permian Basin to Cushing, Oklahoma. Basin Pipeline also receives crude oil from a facility in southern Oklahoma which aggregates South Central Oklahoma Oil Province (SCOOP) production.

- *Sunrise II Pipeline.* We operate the Sunrise II Pipeline and, through a UJI arrangement, own 80% of the capacity of the pipeline, which equates to 400,000 barrels of capacity. Our Sunrise II Pipeline transports crude oil from Midland and Colorado City to connecting carriers at Wichita Falls.

## **Permian to Gulf Coast**

- *BridgeTex Pipeline (Permian to Houston).* We own a 20% interest in the entity that owns the BridgeTex Pipeline. The pipeline, operated by a subsidiary of Magellan Midstream Partners, L.P. (“Magellan”), originates at Colorado City, Texas and extends to Houston, Texas. The BridgeTex pipeline has a capacity of 440,000 barrels per day and is capable of receiving supply from both our Basin and Midland South pipelines.
- *Cactus Pipeline (Permian to Corpus Christi).* We own and operate the Cactus Pipeline, which has a capacity of 390,000 barrels per day, originates at McCamey, Texas and extends to Gardendale, Texas. The Cactus Pipeline connects to our Eagle Ford joint venture pipeline system at Gardendale for access to the Corpus Christi, Texas market. Movements to Corpus Christi are made on a joint tariff with the Eagle Ford joint venture pipeline.
- *Cactus II Pipeline (Permian to Corpus Christi).* In November 2022, we and Enbridge Inc. (“Enbridge”) purchased Western Midstream Partners, LP (“WES”)’s 15% interest in the entity that owns the Cactus II Pipeline. Enbridge acquired 10% and we acquired 5% of Cactus II. We and Enbridge are now the sole owners of Cactus II, with 70% and 30% respective ownership interests. We continue to operate the Cactus II Pipeline, which is a Permian mainline system that extends directly to the Corpus Christi market, and has a capacity of 670,000 barrels per day.
- *Wink to Webster Pipeline.* We own a 16% interest in the entity that owns the Wink to Webster Pipeline (“W2W Pipeline”), which in turn owns 100% of certain segments of the W2W Pipeline and a 71% UJI in the segment from Midland, Texas to Webster, Texas. The W2W Pipeline originates in the Permian Basin in West Texas and transports crude oil to multiple destinations in the Houston and Galveston market areas. The pipeline system provides approximately 1.5 million barrels per day of crude oil capacity (1.1 million barrels per day, net to the UJI interest). Phases one and two of the pipeline system project are currently in service. Phase three of the project, which includes the segments from Wink, Texas to Midland, Texas and from Webster, Texas to Baytown, Texas, is under construction and is expected to be completed by the fourth quarter of 2023.

*Terminals.* Our Midland terminal has access to all of the Permian JV gathering pipelines, either through direct connections, or through the Permian JV intra-basin pipelines. Likewise, the terminal is also either directly connected, or connected through the Permian JV intra-basin pipelines, to all of our Permian Basin long-haul pipelines. Our Midland terminal also has connectivity to third-party inbound and outbound pipelines and terminals at the Midland, Texas hub.

## **South Texas/Eagle Ford**

*Gathering Pipelines.* We own and operate various gathering systems in the Eagle Ford producing region that connect into our Eagle Ford joint venture pipeline system or to third-party pipelines.

*Long-Haul Pipelines.* We own a 50% interest in the entity that owns the Eagle Ford Pipeline through a joint venture with a subsidiary of Enterprise Products Partners, L.P. (“Enterprise”). We serve as the operator of the Eagle Ford Pipeline, which has a total capacity of approximately 660,000 barrels per day and connects Permian, through a connection with our Cactus Pipeline, and Eagle Ford area production to Corpus Christi, Texas refiners and terminals. Additionally, the Eagle Ford Pipeline has connectivity to Houston, Texas via a connection with Enterprise’s pipeline at Lyssy, Texas. The Eagle Ford Pipeline is supported by long-term shipper commitments.

*Terminals.* We own a 50% interest in the entity that owns the Corpus Christi terminal through a joint venture with a subsidiary of Enterprise. The Corpus Christi terminal has a dock and the capacity to export crude oil and approximately one million barrels of commercial storage capacity.

*Condensate Processing.* We own a condensate processing facility located in La Salle County, Texas that stabilizes condensate that is primarily sourced from our Eagle Ford area gathering systems. The stabilized condensate is delivered to a third-party pipeline that delivers into Mont Belvieu, Texas.

## ***Mid-Continent***

*Gathering Pipelines.* We own and operate gathering pipelines that source crude oil from Western and Central Oklahoma and Southwest Kansas for transportation and delivery into our terminal facilities at Cushing, Oklahoma.

*Long-haul Pipelines.* We own and operate various pipeline systems that extend from our Cushing terminal in Oklahoma to various refineries and/or crude oil hubs. Below is a description of some of our most significant pipeline systems in the Mid-Continent region.

- *Diamond Pipeline (Cushing to Memphis).* We own a 50% interest in the entity that owns the Diamond Pipeline through a joint venture with Valero Energy Corporation (“Valero”). We operate the Diamond Pipeline, which extends from our Cushing Terminal to Valero’s refinery in Memphis, Tennessee. The Diamond Pipeline has a total capacity of 200,000 barrels per day.
- *Red River Pipeline (Cushing to Longview).* We own 67% of the entity that owns the Red River Pipeline through a joint venture with Delek Logistics Partners, LP (“Delek”). The Red River Pipeline is an approximately 235,000 barrel per day capacity pipeline that extends from our Cushing Terminal in Oklahoma to Longview, Texas, where it connects with various pipelines. We serve as operator of the Red River Pipeline. The Red River joint venture owns an approximate 69% UJI in the pipeline segment from Cushing to Hewitt, Oklahoma and owns 100% of the segment of the pipeline extending from Hewitt to Longview, Texas.

In addition, we own 50% interests in both the Cushing Connect and Midway pipelines that originate at our Cushing terminal and terminate at refineries in Tulsa, Oklahoma and Coffeyville, Kansas, respectively. Our partners in each pipeline are the refiner customers at the terminus of the pipelines.

*Terminals.* We are a large provider of crude oil terminalling services in Cushing, Oklahoma, which is one of the largest physical trading hubs in the United States and is the delivery point for the NYMEX light sweet crude oil futures contracts (the benchmark for U.S. crude oil). Our Cushing terminal has been designated by the NYMEX as an approved delivery location.

Our Cushing terminal, which has 27 million barrels of commercial storage capacity, is connected to our long-haul pipelines from the Permian Basin and Rocky Mountain regions, as well as to our Mid-Continent region gathering pipelines. Additionally, the terminal supplies crude oil to all of our joint venture, Mid-Continent region long-haul pipelines.

Our crude oil terminal in Patoka, Illinois, which has 7 million barrels of commercial storage capacity, has connectivity to major inbound and outbound pipelines at this hub, including the Capline Pipeline (discussed further below).

## ***Gulf Coast***

*Long-haul Pipelines.* We own an approximate 54% interest in the entity that owns the Capline Pipeline, which extends from Patoka, Illinois to various terminals in St. James, Louisiana. The Capline Pipeline is supported by long-term shipper commitments, and a subsidiary of Marathon Petroleum Corporation serves as the operator.

*Terminals.* Our terminal at St. James, Louisiana, which has 15 million barrels of commercial storage capacity, is a destination facility connected to the Capline Pipeline and other third-party pipelines, and also has a rail unload facility that can move crude oil from rail cars to pipelines that service local refiners, or to our dock which can receive or export crude oil. Our terminal at Mobile, Alabama, which has 4 million barrels of commercial storage capacity, also has a dock and the capacity to receive or export crude oil.

## ***Rocky Mountain***

*Gathering Pipelines.* We own and operate pipelines that provide gathering services in the Bakken and the Powder River Basin.

*Long-haul Pipelines.* Our pipeline systems in the Rocky Mountain region provide access to our terminal in Cushing, Oklahoma as well as other major market hubs. We have two cross-border pipelines, each of which has the flexibility to move up to 30,000 barrels per day of crude oil, depending on the quality. We own and operate the Bakken North cross-border pipeline system that accommodates bidirectional flow and can move crude oil between the Bakken at Trenton, North Dakota and the Enbridge Mainline system at Regina, Saskatchewan. We own a UJI in the Western Corridor pipeline system that extends from the Canadian border to our terminal in Guernsey, Wyoming and receives crude oil from our cross-border Rangeland South pipeline. In addition to these assets, our largest Rocky Mountain region systems include the following joint venture pipelines, both of which connect to our terminal in Cushing, Oklahoma.

- *Saddlehorn Pipeline.* We own a 30% interest in the entity that owns the Saddlehorn Pipeline which, through a UJI arrangement, owns 290,000 barrels per day of capacity in the Saddlehorn Pipeline. The pipeline extends from the Niobrara and Denver-Julesburg (“DJ”) Basin to Cushing and is operated by Magellan. The Saddlehorn Pipeline is supported by minimum volume commitments.
- *White Cliffs Pipeline.* We own an approximate 36% interest in the entity that owns the White Cliffs Pipeline system through a joint venture with three other partners. The White Cliffs Pipeline system consists of one crude oil pipeline with approximately 100,000 barrels per day of capacity that extends from the DJ Basin to Cushing, Oklahoma and one NGL pipeline with approximately 90,000 barrels per day of capacity that extends from the DJ Basin to a tie-in location with the Southern Hills Pipeline in Oklahoma. The NGL pipeline is supported by a long-term capacity lease and long-term throughput agreements. A subsidiary of Energy Transfer LP serves as the operator of the pipelines.

### **Canada**

*Gathering Pipelines.* We own and operate gathering systems that source crude oil from truck terminals and pipeline-connected facilities to deliver to the Enbridge Mainline system at our Kerrobert and Regina terminals in Saskatchewan, Canada.

*Intra-basin Pipelines.* We own and operate intra-basin pipelines with capacity of approximately 300,000 barrels per day that deliver crude oil from northern and southern Alberta to the Edmonton, Alberta market hub. These pipelines provide shippers with flexibility to access the Enbridge and TransMountain long-haul pipelines along with the Imperial Oil Refinery.

### **Western**

*Gathering Pipelines.* We own and operate a pipeline in the San Joaquin Valley that gathers locally produced crude oil, which is then delivered via our Line 63 pipeline system and/or Line 2000 pipeline for transportation to Los Angeles area refiners.

*Long-haul Pipelines.* We own and operate Line 63 and Line 2000 pipelines in California. Line 2000 is a mainline system that has the capacity to transport approximately 110,000 barrels per day from the San Joaquin Valley to refineries and terminal facilities in the Los Angeles area. Line 63 is used as a gathering and distribution system. The pipeline gathers crude oil in the San Joaquin Valley for delivery to Line 2000 and local refiners. In the Los Angeles area, the Line 63 distribution lines are used to move crude oil from Line 2000 to local refiners. During the third quarter of 2022, we temporarily ceased service on Line 2000 as a precautionary measure following a routine inspection and initiated a program of additional tests and inspections. Line 2000 was returned to service in the first quarter of 2023.

In 2022, we recorded an impairment related to certain of our California crude oil assets. See Note 6 to our Consolidated Financial Statements for additional information.

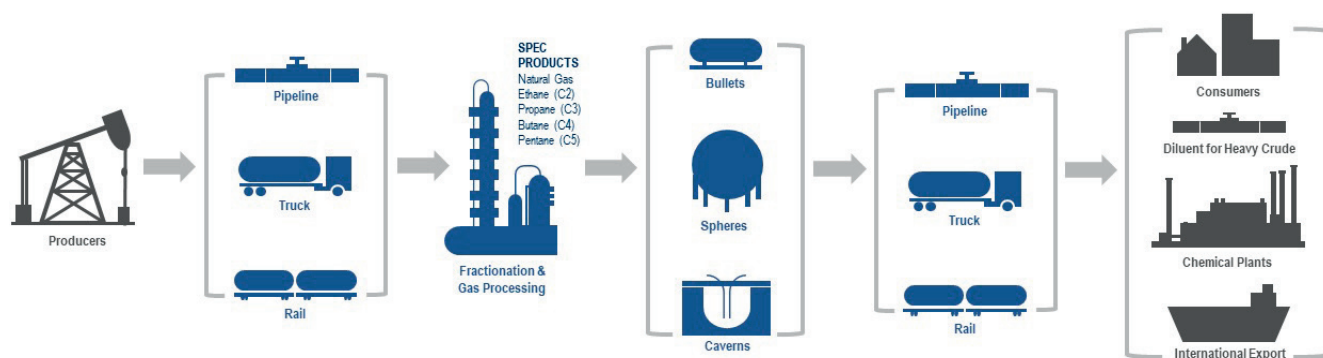
### **Natural Gas Liquids (“NGL”) Segment**

#### **NGL Market and Business Overview**

NGL primarily includes ethane, propane, normal butane, iso-butane and natural gasoline, and is derived from natural gas production and processing activities, as well as crude oil refining processes. The individual NGL components are used for various purposes including heating, engine and industrial fuels, a component of motor gasoline and as the primary feedstock for petrochemical facilities that produce many everyday consumer products, including a wide range of plastics and synthetic rubber.

Our NGL segment operations involve natural gas processing and NGL fractionation, storage, transportation and terminalling. Our NGL revenues are primarily derived from a combination of (i) providing gathering, fractionation, storage, and/or terminalling services to third-party customers for a fee, and (ii) our merchant activities that support the assets. Our merchant activities include the acquisition of extraction rights from producers and/or shippers of the gas streams that pass through our Empress facility. The extraction rights allow us to process that gas at our Empress facility and extract the higher valued NGL from the gas stream. We then purchase natural gas to replace the thermal content attributable to the NGL that was extracted. We use our assets to transport, store and fractionate NGL mix extracted from our Empress straddle plants, or NGL mix acquired from third parties, into finished products to sell to customers. We may also acquire finished NGL products to be seasonally stored in our storage caverns, which is then resold to third-party customers. Often times we will use derivative instruments to hedge the margins related to these merchant activities.

The figure below provides an illustrative and simplified overview of the assets and activities associated with our NGL segment:



### NGL Segment Assets Overview

We operate a highly integrated network of assets, strategically positioned across Canada and the United States, with a particular focus on serving production from the liquids-rich Western Canadian Sedimentary Basin. As of December 31, 2022, the assets utilized in our NGL segment included the following:

- four natural gas processing plants;
- eight fractionation plants located throughout Canada and the United States with an aggregate useable capacity of approximately 185,600 barrels per day;
- NGL storage facilities with approximately 28 million barrels of capacity;
- approximately 1,620 miles of active NGL transportation pipelines;
- 16 NGL rail terminals and approximately 4,100 NGL rail cars; and
- approximately 220 trailers.

Additionally, our assets include the linefill associated with our commercial activities, including approximately:

- 2 million barrels of NGL linefill in pipelines and storage owned by us; and
- 1 million barrels of NGL utilized as linefill in pipelines owned by third parties or otherwise required as long-term inventory.

The tables below present volumes and capacities for our NGL assets and activities as of December 31, 2022 and our natural gas processing and NGL infrastructure and activities are described further below.

Natural Gas Processing Facilities	Ownership Interest	Gas Processing Capacity (Bcf/d) <sup>(1)</sup>	Average Inlet Volume <sup>(2)</sup> (Bcf/d)
<i>Empress</i>	100 %	6.2	3.3

NGL Fractionation Facilities	Ownership Interest	Fractionation Capacity (Bbls/d) <sup>(1)</sup>	Average Volume <sup>(2)</sup> (Bbls/d)
<i>Empress</i>	100 %	23,300	20,700
<i>Fort Saskatchewan</i> <sup>(3)</sup>	21-100%	61,700	49,900
<i>Sarnia</i>	62-84%	75,000	58,400
<i>Other</i>	82-100%	25,600	7,800
		<u>185,600</u>	<u>136,800</u>

NGL Storage Facilities	Storage Capacity <sup>(1)</sup> (MMBbls)
<i>Fort Saskatchewan</i> <sup>(3)</sup>	11
<i>Sarnia</i>	7
<i>Empress</i>	4
<i>Other</i>	6
	<u>28</u>

NGL Pipelines	Ownership Interest	Approximate System Miles <sup>(4)</sup>	Average Volumes <sup>(2)</sup> (MBbls/d)
	21-100%	1,620	192

NGL Rail Facilities	Ownership Interest	Number of Rack Spots	Number of Storage Spots
	75-100%	277	1,527

(1) Represents total average annual capacity of the facilities, net to our ownership interest.

(2) Average daily volumes are calculated as the total volumes for the year, net to our share, divided by the number of days in the year.

(3) Includes our approximately 21% non-operated/undivided joint ownership interest in the Keyera Fort Saskatchewan facility and associated fractionation capacity of 17,300 barrels per day and storage capacity of approximately four million barrels. In December 2022, we entered into a definitive agreement to sell our interest in this facility. The transaction closed in February 2023.

(4) Includes total mileage of pipelines in which we own a less than 100% interest.



## **Natural Gas Processing and NGL Infrastructure**

Our network of liquids infrastructure includes NGL fractionation facilities, underground NGL storage caverns, above ground storage tanks, NGL pipelines, and rail and truck terminals. With these assets, we process, fractionate, store and transport NGL such as ethane, propane, butane and condensate. The unique integrated and geographically diverse nature of our Canadian infrastructure provides the opportunity to maximize margins across the NGL value chain for both us and our customers. The most significant of these assets include the following:

### ***Empress Facility***

We own and operate four gas processing facilities near Empress, Alberta. These facilities, referred to as straddle plants because they “straddle” gas transportation pipelines, process natural gas to extract ethane and NGL mix entrained in the gas stream before returning the gas to the transportation pipelines. We acquire the rights to extract the NGL from producers and/or shippers of the gas streams that pass through our Empress facility and then purchase natural gas to replace the thermal content attributable to the NGL that was extracted. The NGL mix can be fractionated at our Empress facility or transported along the Enbridge pipeline system for fractionation at our Sarnia facility.

Our Empress plants are capable of processing up to 6.2 Bcf of natural gas per day; however, supply available to these plants is typically in the 3.0 to 4.0 Bcf per day range. These plants produce approximately 50,000 to 85,000 barrels per day of ethane, and 30,000 to 50,000 barrels per day of NGL mix. Our Empress fractionation facility is capable of processing and producing up to 23,300 barrels per day of NGL products and is connected to rail loading infrastructure at Empress and our PPTC pipeline system, which enables NGL to be transported to storage and loading terminals in Saskatchewan and Manitoba.

### ***Co-Ed Pipeline***

Our primary NGL transportation supply system, the Co-Ed NGL pipeline system, has transportation capacity of approximately 70,000 barrels per day and gathers NGL from Southwest and Central Alberta (Cardium, Deep Basin, and Alberta Montney) for delivery to our Fort Saskatchewan, Alberta NGL fractionation facilities.

### ***Fort Saskatchewan Complex***

Our Fort Saskatchewan facility is located near Edmonton, Alberta in one of the key North American NGL hubs. The facility is a receipt, storage, fractionation and delivery facility for NGL and is connected to other major NGL plants and pipeline systems in the area. The facility’s primary assets include a fractionation plant, 12 storage caverns, and truck and rail loading capability. Our Fort Saskatchewan fractionation facility has an inlet design capacity of 88,400 barrels per day and is able to produce up to approximately 44,400 barrels per day of propane, butane and condensate. The remaining throughput capacity is used to produce a propane and butane mix, which is transported via the Enbridge pipeline system to our Sarnia facility for further fractionation.

Within the Fort Saskatchewan area, as of December 31, 2022, we also held an approximately 21% ownership in the Keyera Fort Saskatchewan facility, which included fractionation capacity of approximately 17,300 barrels per day, net to our interest, and 17 storage caverns. In December of 2022, we signed a purchase and sale agreement for the divestiture of our interest in this facility. The transaction closed in February 2023.

### ***Sarnia Area***

Our Sarnia Area assets in Southwestern Ontario consist of (i) our Sarnia facility, (ii) our Windsor storage terminal and (iii) our St. Clair, Michigan terminal. The Sarnia facility is a large NGL fractionation and storage facility with rail and truck loading capabilities. The Sarnia Area facilities are served by a network of multiple pipelines connected to various refineries, chemical plants, and other pipeline and railroad systems in the area. This pipeline network also delivers product between our Sarnia facility and our Windsor and St. Clair storage facilities. The Sarnia fractionator receives NGL feedstock primarily from the Enbridge pipeline system and, to a lesser extent, from our rail unloading facility. The fractionation unit is able to process an average of approximately 100,000 barrels per day of NGL products. Our ownership in the various processing units at the Sarnia fractionator ranges from 62% to 84%.

## **Impact of Commodity Price Volatility and Dynamic Market Conditions on Our Business Model**

Crude oil, NGL and natural gas commodity prices have historically been very volatile. For example, in 2022, the prompt month NYMEX light, sweet futures contract (commonly referred to as “WTI”) price ranged from a low of approximately \$71 per barrel to a high of approximately \$124 per barrel. Similarly, there has also been volatility within the propane and butane markets as seen through the North American benchmark price located at Mont Belvieu, Texas, as well as with the basis differentials between Mont Belvieu prices and prices realized at various market hubs in North America.

While our objective is to position the Partnership such that our overall annual cash flow is not materially adversely affected by the absolute level of energy prices, market volatility associated with shifts between demand-driven markets and supply-driven markets or other similar dynamics may create market conditions that are more challenging to our business model. In extended periods of lower crude oil and/or NGL prices, or periods where the supply and demand fundamentals compress regional location differentials, our financial results may be adversely impacted. Under such market conditions, product flows on our pipelines or through our facilities may be adversely impacted. Alternatively, in periods where supply exceeds regional demand and/or pipeline egress, product flows on our pipelines or through our facilities may be favorably impacted. In executing our business model, we employ a variety of financial risk management tools and techniques to manage our financial risk, predominantly related to our merchant activities. These are discussed in greater detail in the “—Risk Management” section below.

In addition, relative contribution levels will vary from quarter-to-quarter due to seasonality, particularly with respect to our NGL merchant activities.

### ***Risk Management***

In order to hedge margins involving our physical assets and manage risks associated with our various commodity purchase and sale obligations and, in certain circumstances, to realize incremental margin during volatile market conditions, we use derivative instruments. We also use various derivative instruments to manage our exposure to interest rate risk and currency exchange rate risk. In analyzing our risk management activities, we draw a distinction between enterprise-level risks and trading-related risks. Enterprise-level risks are those that underlie our core businesses and may be managed based on management’s assessment of the cost or benefit of doing so. Conversely, trading-related risks (the risks involved in trading in the hopes of generating an increased return) are not inherent in our core business; rather, those risks arise as a result of engaging in trading activities. Our policy is to manage the enterprise-level risks inherent in our core businesses by using financial derivatives to protect our ability to generate cash flow and optimize asset profitability, rather than trying to profit from trading activities. Our commodity risk management policies and procedures are designed to monitor NYMEX, ICE and over-the-counter positions, as well as physical volumes, grades, locations, delivery schedules and storage capacity, to help ensure that our hedging activities address our risks. 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. We have a risk management function that has direct responsibility and authority for our risk policies, related controls around commercial activities and procedures and certain other aspects of corporate risk management. Our risk management function also approves all new risk management strategies through a formal process. Our approved strategies are intended to mitigate and manage enterprise-level risks that are inherent in our core businesses.

Our policy is generally to structure our purchase and sales contracts so that price fluctuations do not materially affect our operating income, and not to acquire and hold physical inventory or derivatives for the purpose of speculating on outright commodity price changes. Although we seek to maintain a position that is substantially balanced within our merchant activities, we purchase crude oil, NGL and natural gas from thousands of locations and may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions and other uncontrollable events that may occur. When unscheduled physical inventory builds or draws do occur, they are monitored and managed to a balanced position over a reasonable period of time. This activity is monitored independently by our risk management function and must take place within predefined limits and authorizations.

## **Credit**

Our merchant activities in our Crude Oil and NGL segments require significant extensions of credit by our suppliers. In order to assure our ability to perform our obligations under purchase agreements, various credit arrangements are negotiated with our suppliers. These arrangements include open lines of credit and, to a lesser extent, standby letters of credit issued under our hedged inventory facility or our senior unsecured revolving credit facility. In addition, storing crude oil, NGL or spec products in a contango market, or otherwise, requires us to have credit facilities to finance both the purchase of these products in the prompt month as well as margin requirements that may be required for the derivative instruments used to hedge our price exposure.

When we sell crude oil and NGL, we must determine the amount, if any, of credit to be extended to any given customer. Because our typical sales transactions can involve large volumes of crude oil or NGL, the risk of nonpayment and nonperformance by customers is a major consideration in our business. We believe our sales are made to creditworthy entities or entities with adequate credit support. See Note 3 to our Consolidated Financial Statements for further discussion of our credit review process and risk management procedures.

## **Customers**

ExxonMobil Corporation and its subsidiaries accounted for 20%, 15% and 12% of our revenues for the years ended December 31, 2022, 2021 and 2020, respectively. Marathon Petroleum Corporation and its subsidiaries accounted for 12% and 13% of our revenues for the years ended December 31, 2021 and 2020, respectively. BP p.l.c. and its subsidiaries accounted for 10% of our revenues for the year ended December 31, 2021. No other customers accounted for 10% or more of our revenues during any of the three years ended December 31, 2022. The majority of revenues from these customers pertain to our Crude Oil segment merchant activities, and sales to these customers occur at multiple locations. If we were to lose one or more of these customers, there is risk that we would not be able to identify and access a replacement market at a comparable margin. For a discussion of credit and industry concentration risk, see Note 16 to our Consolidated Financial Statements.

## **Competition**

Competition among pipelines is based primarily on transportation charges, access to producing areas and supply regions and demand for crude oil and NGL by end users. Although new pipeline projects represent a source of competition for our business, existing third-party owned pipelines with excess capacity in the vicinity of our operations also expose us to significant competition based on the relatively low operating cost associated with moving an incremental barrel of crude oil or NGL through such unutilized capacity. In areas where additional infrastructure is being built or has been built to accommodate new or increased production or changing product flows, we face competition in providing the required infrastructure solutions as well as the risk that capacity in the area will be overbuilt until production grows sufficiently or pipelines are retired or converted to alternate service. As a result of multiple pipeline expansions in the Permian Basin and other areas, together with meaningful changes and delays in expected production growth due to COVID-19 impacts, we are currently experiencing heightened competition for uncommitted barrels and contract renewals, which puts downward pressure on tariffs and margins. Further slowing of production growth or production declines could exacerbate these risks, but we believe that the current duration of our contracts and structure of our integrated business model, combined with expected crude oil production growth in the Permian Basin and other areas, should partially mitigate these risks.

In addition, depending upon the specific movement, pipelines, which generally offer the lowest cost of transportation, may also face competition from other forms of transportation, such as truck, rail and barge. Although these alternative forms of transportation are typically higher cost, they can provide access to alternative markets at which a higher price may be realized for the commodity being transported, thereby overcoming the increased transportation cost.

We also face competition with respect to our merchant activities and facilities services. Our competitors include other crude oil and NGL pipeline and terminalling companies, other NGL processing and fractionation companies, the major integrated oil companies and their marketing affiliates, independent gatherers, private equity backed entities, banks that have established a trading platform, and brokers and marketers of widely varying sizes, financial resources and experience. Some of these competitors have capital resources greater than ours. In addition, recently constructed pipelines supported by minimum volume commitments and/or acreage dedications could also amplify the level of competition for purchasing wellhead barrels, especially in the Permian Basin, and thus impact our margins.

## Ongoing Activities Related to Strategic Transactions

We are continuously engaged in the evaluation of potential transactions that support our current business strategy. In the past, such transactions have included the sale of non-core assets, the sale of partial interests in assets to strategic joint venture partners, acquisitions and large investment capital projects. With respect to a potential divestiture or acquisition, we may conduct an auction process or participate in an auction process conducted by a third party or we may negotiate a transaction with one or a limited number of potential buyers (in the case of a divestiture) or sellers (in the case of an acquisition). Such transactions could have a material effect on our financial condition and results of operations.

We typically do not announce a transaction until after we have executed a definitive agreement. In certain cases, in order to protect our business interests or for other reasons, we may defer public announcement of a transaction until closing or a later date. Past experience has demonstrated that discussions and negotiations regarding a potential transaction can advance or terminate in a short period of time. Moreover, the closing of any transaction for which we have entered into a definitive agreement may be subject to customary and other closing conditions, which may not ultimately be satisfied or waived. Accordingly, we can give no assurance that our current or future efforts with respect to any such transactions will be successful, and we can provide no assurance that our financial expectations with respect to such transactions will ultimately be realized. See Item 1A. “Risk Factors—Risks Related to Our Business—Acquisitions and divestitures involve risks that may adversely affect our business.”

## Joint Venture and Joint Ownership Arrangements

We are party to more than 25 joint venture (“JV”) and undivided joint interest (“UJI”) arrangements with long-term partners throughout the industry value chain spanning across multiple North American basins. We believe that these capital-efficient arrangements provide strategic alignment with long-term industry partners while adding volume commitments to our systems and improving returns.

The following table summarizes our significant JVs as of December 31, 2022:

Entity	Type of Operation	Ownership Percentage
BridgeTex Pipeline Company, LLC	Crude Oil Pipeline	20%
Cactus II Pipeline LLC <sup>(2)</sup>	Crude Oil Pipeline <sup>(1)</sup>	70%
Capline Pipeline Company LLC	Crude Oil Pipeline	54%
Diamond Pipeline LLC	Crude Oil Pipeline <sup>(1)</sup>	50%
Eagle Ford Pipeline LLC	Crude Oil Pipeline <sup>(1)</sup>	50%
Eagle Ford Terminals Corpus Christi LLC	Crude Oil Terminal and Dock <sup>(1)</sup>	50%
Plains Oryx Permian Basin LLC <sup>(2) (3)</sup>	Crude Oil Pipelines and Related Assets <sup>(1)</sup>	65%
Red River Pipeline Company LLC <sup>(2) (4)</sup>	Crude Oil Pipeline <sup>(1)</sup>	67%
Saddlehorn Pipeline Company, LLC <sup>(4)</sup>	Crude Oil Pipeline	30%
White Cliffs Pipeline, LLC	Crude Oil Pipeline	36%
Wink to Webster Pipeline LLC <sup>(4)</sup>	Crude Oil Pipeline	16%

<sup>(1)</sup> Assets are operated by Plains.

<sup>(2)</sup> We consolidate the entity based on control, with our partner’s interest accounted for as a noncontrolling interest.

<sup>(3)</sup> Entity owns a 57% interest in OMOG JV LLC (“OMOG”), an unconsolidated entity that owns a crude oil pipeline.

<sup>(4)</sup> Entity owns a UJI in the crude oil pipeline.

The following table summarizes our significant UJIs as of December 31, 2022, excluding UJIs that are indirectly owned by us through JVs (e.g., Wink to Webster, Saddlehorn and Red River JVs):

Asset	Type of Operation	UJI Ownership Percentage
Basin Pipeline <sup>(1)</sup>	Crude Oil Pipeline	87%
Fort Saskatchewan NGL Storage and Fractionation <sup>(2)</sup>	NGL Facility	21% to 48%
Kerrobert Storage and Pipeline Assets <sup>(1)</sup>	NGL Pipeline and Facility	50%
Sarnia NGL Storage and Fractionation <sup>(2)</sup>	NGL Facility	62% to 84%
Sunrise II Pipeline <sup>(1)</sup>	Crude Oil Pipeline	80%

<sup>(1)</sup> Asset is operated by Plains.

<sup>(2)</sup> Certain of these assets are operated by Plains.

### ***Acquisitions and Divestitures***

Since our initial public offering in 1998, the acquisition of midstream assets and businesses has been an important component of our business strategy. While the pace of our acquisition activity has slowed down in recent years, we continue to selectively analyze and pursue the acquisition of assets and businesses that are strategic and complementary to our existing operations. We also routinely review our asset portfolio to evaluate potential sales of non-core assets and/or sales of partial interests in assets to strategic joint venture partners to optimize our asset portfolio and strengthen our balance sheet and leverage metrics. For example, from 2016 through December 31, 2022, we have completed several acquisitions for an aggregate of approximately \$2.0 billion (which figure excludes the value of our Permian JV formed in October 2021), and we have completed asset sales and sales of partial interests in assets to strategic joint venture partners totaling more than approximately \$4.6 billion. See Note 7 to our Consolidated Financial Statements for additional information.

### ***Capital Projects***

Our extensive asset base and our relationships with long-term industry partners across the value chain provide us with opportunities for organic growth through the construction of additional assets that are complementary to, and expand or extend, our existing asset base. Our 2023 capital plan consists of capital-efficient, highly contracted projects that help address industry needs.

Total investment capital for the year ending December 31, 2023 is currently projected to be approximately \$420 million (\$325 million net to our interest), of which approximately half is expected to be associated with the Permian JV. Additionally, maintenance capital for 2023 is currently projected to be \$205 million (\$195 million net to our interest). Note that potential variation to current capital costs estimates may result from (i) changes to project design, (ii) final cost of materials and labor and (iii) timing of incurrence of costs due to uncontrollable factors such as receipt of permits or regulatory approvals and weather.

### ***Regulation***

Our assets, operations and business activities are subject to extensive legal requirements and regulations under the jurisdiction of numerous federal, state, provincial and local agencies. Many of these agencies are authorized by statute to issue, and have issued, requirements binding on the energy industry, related businesses and individual participants. The failure to comply with such legal requirements and regulations can result in substantial fines and penalties, expose us to civil and criminal claims, and cause us to incur significant costs and expenses. See Item 1A. “Risk Factors—Risks Related to Laws and Regulations—Our operations are subject to laws and regulations relating to protection of the environment (people, property and natural resources), operational safety, climate change and related matters that may expose us to significant costs and liabilities. The current laws and regulations affecting our business are subject to change and in the future we may be subject to additional laws, executive orders and regulations, which could adversely impact our business.” At any given time, there may be proposals, provisional rulings or proceedings in legislation or under governmental agency or court review that could affect our business. The regulatory burden on our assets, operations and activities increases our cost of doing business and, consequently, affects our profitability. We can provide no assurance that the increased costs associated with any new or proposed laws, rules or regulations will not be material. We may at any time also be required to apply significant resources in responding to governmental requests for information and/or enforcement actions.



The following is a summary of certain, but not all, of the laws and regulations affecting our operations. Unless the context requires otherwise, references herein to our “facilities” includes all of the pipelines, terminals, storage and other assets owned by us.

## ***Health, Safety and Environmental Regulation***

### **General**

Our operations involving the storage, treatment, processing and transportation of liquid and gaseous hydrocarbons, including crude oil and NGL, are subject to stringent federal, state, provincial and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of the environment and natural resources, operational safety and related matters. As with the industry generally, compliance with these laws and regulations increases our overall cost of doing business, including our capital costs to construct, maintain and upgrade equipment and facilities as regulations are updated or new regulations are invoked. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations or the incurrence of capital expenditures, imposition of restrictions, delays or cancellations in the permitting or performance of projects, and the issuance of injunctions or other orders that may subject us to additional operational constraints. Failure to comply with these laws and regulations could also result in negative public perception of our operations or the industry in general, which may adversely impact our ability to conduct our business. Environmental and safety laws and regulations are subject to changes that may result in more stringent requirements, and we cannot provide any assurance that compliance with current and future laws and regulations will not have a material effect on our results of operations or earnings. A discharge of hazardous liquids or other materials into the environment could, to the extent such event is not insured, subject us to substantial expense, including the cost to respond, repair and remediate any impact from releases, the cost to comply with applicable laws and regulations and liabilities or costs arising out of any claims made by third parties. The following is a summary of some of the environmental, health and safety laws and regulations to which our operations are subject.

### **Pipeline Safety/Integrity Management**

A substantial portion of our petroleum pipelines and our storage tank facilities in the United States are subject to regulation by the Department of Transportation’s (“DOT”) Pipeline and Hazardous Materials Safety Administration (“PHMSA”) pursuant to the Hazardous Liquids Pipeline Safety Act of 1979, as amended (the “HLP SA”) with respect to crude oil and NGL. The HLP SA imposes safety requirements on the design, installation, testing, construction, operation, replacement and management of pipeline and tank facilities. Federal regulations implementing the HLP SA require pipeline operators to adopt measures designed to reduce the environmental impact of oil discharges from onshore oil pipelines, including the maintenance of comprehensive spill response plans and the performance of extensive spill response training for pipeline personnel. These regulations also require pipeline operators to develop and maintain a written qualification program for individuals performing covered tasks on pipeline facilities. Comparable regulation exists in some states in which we conduct intrastate common carrier or private pipeline operations. Our operations in Canada are also subject to comparable regulations promulgated by the Canada Energy Regulator (“CER”) and provincial regulators and agencies.

### ***United States***

Pursuant to the authority under the HLP SA, as amended from time to time, PHMSA has promulgated regulations that require transportation pipeline operators to implement integrity management programs, including frequent inspections, correction of certain identified anomalies and other measures, to ensure pipeline safety in locations where a pipeline leak or rupture could affect high risk areas known as high consequence areas (“HCAs”). The HCAs for crude oil and NGL pipelines are based on high population areas, areas unusually sensitive to environmental damage, and commercially navigable waterways. In the United States, our costs associated with the inspection, testing and correction of identified anomalies were approximately \$20 million in 2022. Based on currently available information, our preliminary estimate for 2023 is that we will incur approximately \$30 million in expenditures associated with our required pipeline integrity management program. However, significant additional expenses could be incurred if new or more stringently interpreted pipeline safety requirements are implemented. In addition to required activities, our integrity management program includes several voluntary, multi-year initiatives designed to prevent incidents. Costs incurred in connection with these voluntary initiatives were approximately \$14 million in 2022, and our preliminary estimate for 2023 is that we will incur approximately \$10 million of such costs.

Federal legislation has resulted in more stringent mandates for pipeline safety and has charged PHMSA with developing and adopting regulations that impose increased pipeline safety requirements on pipeline operators. In particular, Congress has amended the HLP SA several times over the past decade and to the extent those regulations impose practices that exceed our operating standards, they increase our cost to operate.



The DOT has issued guidelines with respect to securing regulated facilities against terrorist attack. We have instituted security measures and procedures in accordance with such guidelines to enhance the protection of certain of our facilities; however, we cannot provide any assurance that these security measures would fully protect our facilities from an attack.

The DOT has also generally adopted American Petroleum Institute Standard (“API”) 653 as the standard for the inspection, repair, alteration and reconstruction of above ground petroleum storage tanks subject to DOT jurisdiction. API 653 requires regularly scheduled inspection and repair of tanks remaining in service. In the United States, our costs associated with this program were \$28 million in 2022. For 2023, we have budgeted approximately \$35 million in connection with continued compliance activities with respect to API 653 and similar new EPA regulations for tanks not regulated by the DOT. Certain storage tanks may be taken out of service if we believe the cost of compliance will exceed the value of the storage tanks and replacement tankage may be constructed.

Furthermore, our operations may also be subject to state pipeline safety and integrity regulations. For example, to protect state waters and wildlife, California has adopted legislation that requires operators of hazardous liquid pipelines located near environmentally and ecologically sensitive areas to use best available technologies to minimize the amount of oil released in an oil spill. These technologies include, but are not limited to, installation of leak detection technologies, automatic shutoff systems, or remote controlled sectionalized block valves. Our pipeline operations in California must implement certain of these technologies, unless specifically exempted, by April 1, 2023.

### ***Canada***

In Canada, the CER and provincial regulators regulate the safety and integrity management of pipelines and facilities used for hydrocarbon transmission and storage. We have incurred and will continue to incur costs related to such regulatory requirements. For example, we continue to implement Pipeline, Facility and Cavern Integrity Management Programs in Canada to comply with applicable regulatory requirements and assist in our efforts to mitigate risk. Costs incurred for such integrity management activities were approximately \$85 million in 2022. Our preliminary estimate for 2023 is approximately \$80 million of costs on such projects.

We cannot predict the potential costs associated with additional, future regulations in Canada or the United States. Significant additional expenses could be incurred, and additional operational requirements and constraints could be imposed, if new or more stringently interpreted pipeline safety requirements are implemented.

## **Occupational Safety and Health**

### ***United States***

In the United States, we are subject to the requirements of the Occupational Safety and Health Act, as amended, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the U.S. Occupational Safety and Health Administration (“OSHA”) hazard communication standard requires that certain information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. Certain of our facilities are also subject to OSHA Process Safety Management (“PSM”) regulations, which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals. These regulations apply to any process which involves a chemical at or above specified thresholds or any process that involves 10,000 pounds or more of a flammable liquid or gas in one location.

### ***Canada***

Similar regulatory requirements exist in Canada under the federal and provincial Occupational Health and Safety Acts, Regulations and Codes. The agencies with jurisdiction under these regulations are empowered to enforce them through inspection, audit, incident investigation or investigation of a public or employee complaint. In some jurisdictions, the agencies have been empowered to administer penalties for violations without the company first being prosecuted. Additionally, under the Criminal Code of Canada, organizations, corporations and individuals may be prosecuted criminally for violating the duty to protect employees and the public.

## **Solid Waste**

We generate wastes, including hazardous wastes, which are subject to the requirements of the federal Resource Conservation and Recovery Act, as amended (“RCRA”), and analogous state and provincial laws. Many of the wastes that we generate are not subject to the most stringent requirements of RCRA because our operations generate primarily oil and gas wastes, which currently are excluded from consideration as RCRA hazardous wastes. It is possible, however, that in the future, the exclusion for oil and gas waste under RCRA may be revisited and our wastes may become subject to more rigorous and costly disposal requirements, resulting in additional capital expenditures or operating expenses.

## **Hazardous Substances**

The federal Comprehensive Environmental Response, Compensation and Liability Act, as amended (“CERCLA”), also known as “Superfund,” and comparable state laws impose liability, without regard to fault or the legality of the original act, on certain classes of persons that contribute to the release of a “hazardous substance” into the environment. These persons include the owner or operator of the site or sites where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances found at the site. Such persons may be subject to strict, joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we may generate waste that falls within CERCLA’s definition of a “hazardous substance.”

We are subject to the Environmental Protection Agency’s (“EPA”) Risk Management Plan regulations at certain facilities. These regulations are intended to work with OSHA’s PSM regulations to minimize the offsite consequences of catastrophic releases. The regulations require us to develop and implement a risk management program that includes a five-year accident history, an offsite consequence analysis process, a prevention program and an emergency response program.

## **Environmental Remediation**

We currently own or lease, and in the past have owned or leased, properties where potentially hazardous liquids, including hydrocarbons, are or have been handled. These properties may be subject to CERCLA, RCRA and state and Canadian federal and provincial laws and regulations. Under such laws and regulations, we could be required to remove or remediate potentially hazardous liquids or associated wastes (including wastes disposed of or released by prior owners or operators) and to clean up contaminated property (including contaminated groundwater).

## **Air Emissions**

Our United States operations are subject to the United States Clean Air Act (“Clean Air Act” or “CAA”), comparable state laws and associated federal, state and local regulations. Our Canadian operations are also subject to federal and provincial air emission regulations, which are discussed in subsequent sections.

As a result of the changing air emission requirements in both Canada and the United States, we may be required to incur certain capital and operating expenditures in the next several years to install air pollution control equipment and otherwise comply with more stringent federal, state, provincial and regional air emissions control requirements when we attempt to obtain or maintain permits and approvals for sources of air emissions. We can provide no assurance that future air compliance obligations will not have a material adverse effect on our financial condition or results of operations.

## **Climate Change Initiatives**

### ***United States***

The threat of climate change continues to attract considerable attention in the United States and around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of carbon dioxide, methane and other greenhouse gases (“GHG”). These efforts have included consideration of cap-and-trade programs, carbon taxes, climate-related disclosure obligations, and regulations that directly limit GHG emissions from certain sources. These proposals and related legislation could increase operating costs within the oil and gas industry and accelerate the transition away from fossil fuels, which could in turn reduce demand for our products and services and adversely affect our business and results of operations.

In addition, following the U.S. Supreme Court finding that GHG emissions constitute a pollutant under the CAA, the EPA has adopted rules and regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and gas system sources, and impose new standards reducing methane emissions from oil and gas operations through limitations on venting and flaring and the implementation of enhanced emission leak detection and repair requirements. Two of our facilities are presently subject to the federal GHG reporting requirements. These include facilities with combustion GHG emissions and potential fugitive emissions above the reporting thresholds. We import sufficient quantities of finished fuel products into the United States to be required to report that activity as well. In recent years, there has been considerable uncertainty surrounding regulation of methane emissions. For example, President Biden issued an executive order calling on the EPA to revisit federal regulations promulgated during the Trump Administration regarding methane and establish new or more stringent standards for existing or new sources in the oil and gas sector, including the transmission and storage segments, and he signed into law a revocation of certain parts of the Trump-era rules. Separately, the Bureau of Land Management (“BLM”) has also proposed rules to limit venting, flaring, and methane leaks for oil and gas operations on federal lands.

At the state level, California has implemented a GHG cap-and-trade program. California finished fuels providers (refiners and importers), including Plains Marketing and Plains Midstream Canada, are required to purchase GHG emission credits for finished fuel sold in or imported into California.

Certain other states where we operate, such as Colorado, have also adopted, or are considering adopting, regulations related to GHG emissions. While it is not possible at this time to predict how federal or state governments may choose to regulate GHG emissions, any new regulatory restrictions on GHG emissions could result in material increased compliance costs, additional operating restrictions, an increase in the cost of feedstock and products produced by our refinery customers, and a reduced demand for petroleum-based fuels.

### ***Canada***

Large emitters of GHG have been required to report their emissions under the Canadian Greenhouse Gas Emissions Reporting Program since 2004. Effective January 1, 2018, the Federal Department of Environment and Climate Change lowered the reporting threshold for all facilities from 50 thousand tonnes per year (“kt/y”) to 10 kt/y GHG emissions. Four of our facilities are currently required to prepare annual emissions reports. The associated cost with this reporting requirement is not considered to be material. Several Canadian Provinces, including some in which we operate, have implemented additional climate-related initiatives and regulations.

### **Water**

The U.S. Federal Water Pollution Control Act, as amended, also known as the Clean Water Act (“CWA”), and analogous state and Canadian federal and provincial laws impose restrictions and strict controls regarding the discharge of pollutants into navigable waters of the United States and Canada, as well as state and provincial waters. Federal, state and provincial regulatory agencies can impose administrative, civil and/or criminal penalties for non-compliance with discharge permits or other requirements of the CWA, and can also pursue injunctive relief to enforce compliance with the CWA and analogous laws.

The U.S. Oil Pollution Act of 1990 (“OPA”) amended certain provisions of the CWA as they relate to the release of petroleum products into navigable waters. OPA subjects owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill. State and Canadian federal and provincial laws also impose requirements relating to the prevention of oil releases and the remediation of impacted areas.

The construction or expansion of pipelines often requires authorizations under the CWA, which authorizations may be subject to challenge. For over 35 years, the U.S. Army Corps of Engineers (the “Corps”) has authorized construction, maintenance and repair of pipelines under a streamlined nationwide permit program known as Nationwide Permit 12 (“NWP 12”). From time to time, environmental groups have challenged the use of NWP 12 for oil and gas pipeline projects. In April 2020, the federal district court for the District of Montana vacated the Corps’ NWP 12 after determining that it failed to comply with consultation requirements under the Endangered Species Act, though the district court’s order was subsequently limited on appeal. In January 2021, the Corps published a reissuance of NWP 12, but this permit is being challenged in federal court on the same grounds that were litigated in the April 2020 case. More recently, the Corps announced it was beginning a formal review of NWP 12 in May 2022. While the full extent and impact of these recent developments is unclear at this time, any disruption in our ability to obtain coverage under NWP 12 or other general permits may result in increased costs and project delays if we are forced to seek individual permits from the Corps.

Also, there continues to be uncertainty on the federal government’s applicable jurisdictional reach under the Clean Water Act over waters of the United States (“WOTUS”), including wetlands. The EPA and the Corps under the Obama, Trump and Biden Administrations have pursued multiple rulemakings since 2015 in an attempt to determine the scope of such reach, and in several instances, federal courts have vacated these rulemakings. Two federal district court decisions vacated the Trump Administration’s 2020 rule, which resulted in a return to protections that were in place prior to the 2015 rulemaking revisions under the Obama Administration. The EPA and the Corps recently published a final rule, which will take effect on March 20, 2023, defining WOTUS according to the broader pre-2015 standards with additional updates to incorporate existing Supreme Court decisions and agency guidance. However, the new rule has already been challenged, with the State of Texas and industry groups filing separate suits in federal court in Texas on January 18, 2023. Moreover, the EPA and the Corps have announced an intent to develop a subsequent rule further revising the definition of WOTUS. Additionally, the Supreme Court is also expected to rule in mid-2023 on the legal tests used to determine whether wetlands are WOTUS, which ruling could impact the regulatory definition and its implementation more broadly. Therefore, the ongoing boundaries and substance of the WOTUS definition and its impacts on the scope of the CWA remain uncertain at this time. In addition, in an April 2020 decision, the U.S. Supreme Court held that, in certain cases, discharges from a point source to groundwater could fall within the scope of the CWA and require a permit. The Court rejected the EPA’s and Corps’ assertion that groundwater should be totally excluded from the CWA. To the extent any new rule or judicial decision expands the scope of the CWA’s jurisdiction in areas where we or our customers conduct operations, such developments could delay, restrict or halt permitting or development of projects, result in longer permitting timelines, or increased compliance expenditures or mitigation costs for our and our customers’ operations, which may reduce the rate of production from operators.

### **Endangered Species**

The federal Endangered Species Act (the “ESA”) and comparable state laws may restrict exploration, development and production activities that may affect endangered and threatened species or their habitats. The ESA provides broad protection for species of fish, wildlife and plants that are listed as threatened or endangered in the United States and prohibits the taking of protected species. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act, Canada’s Species at Risk Act, and other analogous state and provincial laws and regulations. Under the ESA, federal agencies are required to ensure that any action authorized, funded or carried out by them is not likely to jeopardize the continued existence of listed or endangered species or modify their critical habitats. New projects may require approvals and environmental analysis under these and other laws, including the National Environmental Policy Act. The resulting costs and liabilities associated with lengthy regulatory review and approval requirements could materially and negatively affect the viability of such projects.

### ***Other Regulations***

#### **Transportation Regulation**

Our transportation activities are subject to regulation by multiple governmental agencies. Our historical operating costs reflect the recurring costs resulting from compliance with these regulations. The following is a summary of the types of transportation regulation that may impact our operations.

*Interstate Liquids Regulation in the United States.* Our common carrier pipeline operations with interstate movements of liquids are subject to rate regulation by the U.S. Federal Energy Regulatory Commission (“FERC”) under the Interstate Commerce Act (“ICA”). Unless covered by a waiver, the ICA requires that we maintain tariffs on file with FERC for interstate movements of liquids on our pipelines. Those tariffs set forth the rates we charge for providing transportation services as well as the rules and regulations governing these services. The ICA requires that tariff rates for liquids pipelines, which include both crude oil pipelines and petroleum products pipelines, be just and reasonable and not unduly discriminatory. Failure to comply with the requirements of the ICA could result in the imposition of civil or criminal penalties, as described below.

Under the Energy Policy Act of 1992 (“EPAct”), liquids pipeline rates in effect for the 365-day period ending on the date of enactment of EPAct are deemed to be just and reasonable under the ICA if such rates had not been subject to complaint, protest or investigation during such 365-day period. Generally, complaints against such “grandfathered” rates may only be pursued if the complainant can show that a substantial change has occurred since the enactment of EPAct in either the economic circumstances of the liquids pipeline or in the nature of the services provided that were a basis for the rate. EPAct places no such limit on challenges to a provision of a liquids pipeline tariff rate or rules as unduly discriminatory or preferential. Many FERC-regulated liquids pipelines also use the FERC indexing methodology to change their rates. For those pipelines that use the FERC indexing methodology, FERC reviews the index formula every five years to determine whether a change in the methodology is required or, if not, to determine the appropriate index for the subsequent five-year period. On January 20, 2022, FERC issued an order on rehearing of its December 17, 2020 Order Establishing Index Level in which the Commission reduced the oil pricing index factor for oil pipelines to use for the current five-year period. As a result, the ceiling levels computed for July 1, 2021 to June 30, 2022, as well as the ceiling levels for July 1, 2022 to June 30, 2023, and the resulting rates currently in effect for certain of our liquids pipelines, were computed to account for the appropriate index factor. Some parties sought rehearing of the January 20, 2022 order with FERC, which was denied by FERC on May 6, 2022. Certain parties have appealed the January 20, 2022 and May 6, 2022 FERC orders, and the appeals remain pending before the DC Circuit. FERC has also retained cost-of-service ratemaking, market-based rates and settlement rates as alternatives to the indexing approach that may be used in certain specified circumstances.

Because the indexing methodology for the next five-year indexing period is tied in part to an inflation index and is not based on our specific costs, the indexing methodology could hamper our ability to recover cost increases. The majority of our pipeline profits in the United States are based on rates that are either grandfathered in part or set by agreement with one or more shippers. These rates remain regulated by FERC and are subject to challenge or review and modification by FERC under the ICA. Changes in FERC’s methodologies for approving rates could adversely affect us. In addition, challenges to our regulated rates could be filed with FERC and future decisions by FERC regarding our regulated rates could adversely affect our cash flows.

The Energy Policy Act of 2005 (“EPAct 2005”) authorized FERC to impose civil penalties for violations of the ICA and FERC regulations thereunder, up to a maximum amount that is adjusted annually for inflation, which for 2023 equals \$15,662 per day, per violation. Should we fail to comply with applicable statutes, rules, regulations and orders administered by FERC, we could be subject to substantial penalties and fines.

*Intrastate Regulation in the United States.* Our intrastate liquids pipeline transportation activities are subject to various state laws and regulations, as well as orders of state regulatory bodies, including the Railroad Commission of Texas (“TRRC”) and the California Public Utility Commission (“CPUC”). The CPUC prohibits certain of our subsidiaries from acting as guarantors of our senior notes and credit facilities.

*Canadian Regulation.* Our Canadian pipeline assets are subject to regulation by the CER and by provincial regulators. With respect to pipelines over which it has jurisdiction, the relevant regulatory authority has the power, upon application by a third party, to determine reasonability of the rates we are allowed to charge for transportation on, and set other terms of access to, such pipelines. In such circumstances, if the relevant regulatory authority determines that the applicable terms and conditions of service are not just and reasonable, the regulatory authority can impose conditions it considers appropriate.

## **Trucking Regulation**

### ***United States***

We operate a fleet of trucks to transport crude oil and oilfield materials as a private, contract and common carrier. We are licensed to perform both intrastate and interstate motor carrier services. As a motor carrier, we are subject to certain safety regulations issued by the Federal Motor Carrier Safety Association of the DOT. The trucking regulations cover, among other things: (i) driver operations, (ii) log book maintenance, (iii) truck manifest preparations, (iv) safety placard placement on the trucks and trailer vehicles, (v) drug and alcohol testing and (vi) operation and equipment safety. We are also subject to OSHA with respect to our U.S. trucking operations.



## ***Canada***

Our trucking assets in Canada are subject to regulation by both federal and provincial transportation agencies in the provinces in which they are operated. These regulatory agencies do not set freight rates, but do establish and administer rules and regulations relating to other matters including equipment, facility inspection, reporting and safety. We are licensed to operate both intra- and inter-provincially under the direction of the National Safety Code (“NSC”) that is administered by Transport Canada. Our for-hire service is primarily the transportation of crude oil, condensates and NGL. We are required under the NSC to, among other things, monitor: (i) driver operations, (ii) log book maintenance, (iii) truck manifest preparations, (iv) safety placard placement on the trucks and trailers, (v) operation and equipment safety and (vi) many other aspects of trucking operations. We are also subject to Occupational Health and Safety regulations with respect to our Canadian trucking operations.

### **Railcar Regulation**

We own and operate a number of railcar loading and unloading facilities in the United States and Canada. In connection with these rail terminals, we own and lease a significant number of railcars. Our railcar operations are subject to the regulatory jurisdiction of the Federal Railroad Administration (“FRA”) of the DOT, OSHA, as well as other federal and state regulatory agencies and Canadian regulatory agencies for operations in Canada. From time to time, these regulatory bodies may enact new regulations or revise and update existing regulations related to the transportation of oil and NGL by railcar.

Railcar accidents involving trains carrying crude oil from North Dakota’s Bakken shale formation have led to increased regulatory scrutiny. PHMSA issued a safety advisory warning that Bakken crude may be more flammable than other grades of crude oil and reinforcing the requirement to properly test, characterize, classify, and, where appropriate, sufficiently degasify hazardous materials prior to and during transportation. PHMSA also initiated “Operation Classification,” a compliance initiative involving unannounced inspections and testing of crude oil samples to verify that offerors of the materials have properly classified, described and labeled the hazardous materials before transportation. In late 2015, Congress passed the Fixing America’s Surface Transportation (“FAST”) Act which was subsequently signed by the President. This legislation clarified the parameters around the timeline and requirements for railcars hauling crude oil in the United States. We believe our railcar fleet is in compliance in all material respects with current standards for crude oil moved by rail.

### **Indigenous Protections**

Part of our operations cross land that has historically been apportioned to various Native American/First Nations tribes (“Indigenous Peoples”), who may exercise significant jurisdiction and sovereignty over their lands. Indigenous Peoples may also have certain treaty rights and rights to consultation on projects that may affect such lands. Our operations may be impacted to the extent these tribal governments are found to have and choose to act upon such jurisdiction over lands where we operate.

### **Transportation Security Administration Security Directives**

In 2021, in response to the Colonial Pipeline cybersecurity incident, The United States Department of Homeland Security’s Transportation Security Administration (“TSA”) issued two comprehensive security directives that included various cyber security and reporting requirements for critical infrastructure pipeline owners and/or operators. Compliance with these security directives may have a significant impact on our operations and results of operations.

### **Cross Border Regulation**

As a result of our cross border activities, including transportation and importation of crude oil and NGL between the United States and Canada, we are subject to a variety of legal requirements pertaining to such activities including presidential permit requirements, export/import license requirements, tariffs, Canadian and U.S. customs and taxes, and requirements relating to toxic substances. U.S. legal requirements relating to these activities include regulations adopted pursuant to the Short Supply Controls of the Export Administration Act (“EAA”), the United States-Mexico-Canada Agreement (“USMCA”) and the Toxic Substances Control Act (“TSCA”), as well as presidential permit requirements of the U.S. Department of State. In addition, the importation and exportation of natural gas from and to the United States and Canada is subject to regulation by U.S. Customs and Border Protection, U.S. Department of Energy and the CER. Violations of these licensing, tariff and tax reporting requirements or failure to provide certifications relating to toxic substances could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, the failure to comply with U.S. federal, state and local tax requirements, as well as Canadian federal and provincial tax requirements, could lead to the imposition of additional taxes, interest and penalties.



## **Market Anti-Manipulation Regulation**

In November 2009, the Federal Trade Commission (“FTC”) issued regulations pursuant to the Energy Independence and Security Act of 2007, intended to prohibit market manipulation in the petroleum industry. Violators of the regulations face civil penalties of up to approximately \$1.4 million per violation per day, subject to the FTC’s annual inflation adjustment. In July 2010, Congress passed the Dodd-Frank Act, which incorporated an expansion of the authority of the Commodity Futures Trading Commission (“CFTC”) to prohibit market manipulation in the markets regulated by the CFTC. This authority, with respect to crude oil swaps and futures contracts, is similar to the anti-manipulation authority granted to the FTC with respect to crude oil purchases and sales. In July 2011, the CFTC issued final rules to implement their new anti-manipulation authority. The rules subject violators to a civil penalty of up to the greater of approximately \$1.23 million, subject to the CFTC’s annual inflation adjustment, or triple the monetary gain to the person for each violation.

## **Operational Hazards and Insurance**

Pipelines, terminals, trucks or other facilities or equipment may experience damage as a result of an accident, natural disaster, terrorist attack, cyber event or other event. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Consistent with insurance coverage generally available in the industry, in certain circumstances our insurance policies provide limited coverage for losses or liabilities relating to gradual pollution, with broader coverage for sudden and accidental occurrences. We maintain various types and varying levels of insurance coverage to cover our operations and properties, and we self-insure certain risks, including gradual pollution, cybersecurity and named windstorms. To the extent we do maintain insurance coverage, such insurance does not cover every potential risk that might occur, associated with operating pipelines, terminals and other facilities and equipment, including the potential loss of significant revenues and cash flows.

The occurrence of a significant event not fully insured, indemnified or reserved against, or the failure of a party to meet its insurance or indemnification obligations, could materially and adversely affect our operations and financial condition. While we strive to maintain adequate insurance coverage, our actual costs may exceed our coverage levels and insurance will not cover many types of interruptions that might occur, will not cover amounts up to applicable deductibles and will not cover all risks associated with certain of our assets and operations. With respect to our insurance coverage, our policies are subject to deductibles and retention levels that we consider reasonable and not excessive. Additionally, no assurance can be given that we will be able to maintain adequate insurance in the future at rates we consider reasonable. As a result, we may elect to self-insure or utilize higher deductibles in certain other insurance programs. In addition, although we believe that we have established adequate reserves and liquidity to the extent such risks are not insured, costs incurred in excess of these reserves may be higher or we may not receive insurance proceeds in a timely manner, which may potentially have a material adverse effect on our financial conditions, results of operations or cash flows.

## **Title to Properties and Rights-of-Way**

Our real property holdings generally consist of: (i) parcels of land that we own in fee, (ii) surface leases and underground storage leases and (iii) easements, rights-of-way, permits, crossing agreements or licenses from landowners or governmental authorities permitting the use of certain lands for our operations. In all material respects, we believe we have satisfactory title or the right to use the sites upon which our significant facilities are located, subject to (a) customary liens, restrictions or encumbrances and (b) challenges that we do not regard as material relative to our overall operations. Some of our real property rights may be subject to termination under agreements that provide for one or more of: periodic payments, term periods, renewal rights, abandonment of use, continuous operation requirements, revocation by the licensor or grantor and possible relocation obligations.

## **Human Capital**

### ***General***

Our primary human capital management objective is to attract, retain and develop a high quality workforce that will enable us to maintain and enhance a culture that is consistent with our Core Values. To support this objective, we seek to attract, reward and support employees through competitive pay, benefits and other programs; develop employees and encourage internal talent mobility to prepare employees for critical roles and leadership positions for the future; facilitate the development of a workplace culture that is diverse, engaging and inclusive; and promote efficiency and a high performance culture by investing in technology and systems and providing tools and resources that enable employees at work.

As a limited partnership, we do not directly have officers and employees. Our operations and activities are managed by Plains All American GP LLC (“GP LLC”), which employs our management and operational personnel (other than our Canadian personnel, who are employed by our subsidiary, PMCULC). As of December 31, 2022, GP LLC and PMCULC employed approximately 4,100 people in North America, of which approximately 2,900 were employed in the U.S. and approximately 1,200 were employed in Canada. Approximately 69% of our workforce (approximately 2,800 employees) are field employees, which includes approximately 800 employees in our trucking division. Our employees are located in 25 states in the U.S. and in four provinces in Canada. Approximately 185 employees are covered by six separate collective bargaining agreements, which are open for renegotiation in 2023, 2024 and 2025.

### ***Health and Safety***

Our people are our most valuable asset. We prioritize the health and safety of our employees and we are committed to protecting our employees and conducting our operations in a safe, reliable and responsible manner. We support our commitment to health and safety through extensive education and training and investment in necessary equipment, systems, processes and other resources, and we have a number of safety programs and campaigns that are shared across our operations, such as “Hazard ID / Near Miss Program” communications, periodic and situation specific safety stand-downs, lessons learned sharing and stop work authorization for all employees. We also have a number of programs that are focused on employee wellness, including an employee assistance program that provides free mental and behavioral support for employees. In addition, in order to incentivize performance in the areas of safety and environmental responsibility, our performance-based annual bonus program includes a safety component that is based on reductions in our recordable injury rate, and an environmental responsibility component that is tied to reductions in the number of federally reportable releases we experience. For 2022, our targets for these two areas were based on reductions from our 2020 results and we achieved or exceeded our targets, with reductions of approximately 18% and 35%, respectively, and since 2018, for each of these metrics, we have achieved cumulative reductions of more than 50%. In addition, in 2021 we established a new HSES Board Committee to provide additional oversight and perspectives with respect to HSES and ESG matters.

### ***Diversity and Inclusion***

We are committed to providing a professional work environment where all employees are treated with respect and dignity and provided with equal opportunities. To that end, we strive to develop a culture of inclusion and diversity in our workforce and aspire to employ a workforce that reflects the diversity of the communities where we operate. As of December 31, 2022, approximately 21% of our overall workforce was female (46% exclusive of field employees), and under-represented groups comprised approximately 34% of our U.S. workforce (39% exclusive of field employees).

We have focused our recruiting efforts on expanding the pool of potential new hire candidates in order to attract a more diverse employee workforce. We are recruiting at schools that traditionally have a more diverse student population and are also using recruiting tools that allow us to post open positions to expand our reach to a larger and more diverse potential employee candidate population.

In addition, to further support diversity and inclusion efforts at Plains and across the broader industry, we created and sponsor an employee resource group called Cultivating Connections. This group is dedicated to encouraging diversity, inclusion and advancement of women in the industry through networking, mentoring, sharing experiences and ideas, training, and furthering the development of leadership skills. Through Cultivating Connections, an employee mentorship program was also established to encourage professional growth through the development of core competencies.

### ***Training and Leadership Development***

We are committed to the continued development of our people. We provide a multitude of training programs covering subjects such as field operations, health and safety, regulatory compliance, technical training, management and leadership skills, and professional development. We also operate a number of internal programs at all levels of the workforce that are designed to identify and develop future leaders of the organization. The Board receives reports from senior management on a regular basis regarding the status of succession plans with respect to executive leadership of the company.

## **Benefits**

Our compensation and benefits programs are designed to attract, retain and motivate our employees and to reward them for their services and success. In addition to providing competitive salaries and other compensation opportunities, we offer comprehensive and competitive benefits to our eligible employees including, depending on location, health (medical, dental and vision) insurance, prescription drug benefits, flexible spending accounts, parental leave, disability coverage, mental and behavioral health resources, paid time off, retirement savings plan, education reimbursement program, a disaster relief fund, life insurance and accidental death and dismemberment insurance.

## **Summary of Tax Considerations**

*The following is a brief summary of certain material tax considerations of owning and disposing of common units, however, the tax consequences of the ownership of common units are complex and depend in part on the owner's individual tax circumstances. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations, administrative rulings and judicial decisions, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions. This summary does not address all aspects of U.S. federal income taxation or the tax considerations arising under the laws of any non-U.S., state, or local jurisdiction, or under U.S. federal estate and gift tax laws. It is the responsibility of each unitholder, either individually or through a tax advisor, to investigate the legal and tax consequences of the unitholder's investment in us under applicable U.S. federal, state and local law. Further, it is the responsibility of each unitholder to file all U.S. federal, state and local tax returns that may be required of the unitholder. Also see Item 1A. "Risk Factors—Tax Risks to Unitholders" and "Risk Factors—Tax Risks to Common Unitholders."*

## **Partnership Status; Cash Distributions**

We are treated for U.S. federal income tax purposes as a partnership based upon our meeting the "Qualifying Income Exception" imposed by Section 7704 of the Code, which we must meet each year. The owners of our common units are considered partners in the Partnership so long as they do not loan their common units to others to cover short sales or otherwise dispose of those units. Accordingly, subject to the Bipartisan Budget Act audit rules, we generally are not liable for U.S. federal income taxes, and a common unitholder is required to report on the unitholder's U.S. federal income tax return the unitholder's share of our income, gains, losses and deductions. In general, cash distributions to a common unitholder are taxable only if, and to the extent that, they exceed the tax basis in the common units held. In certain cases, we are subject to, or have paid Canadian income and withholding taxes, including with respect to intercompany interest payments and dividend payments. Unitholders may be eligible for foreign tax credits with respect to allocable Canadian withholding and income taxes paid.

## **Partnership Allocations**

In general, our income and loss is allocated to the general partner and the unitholders for each taxable year in accordance with their respective percentage interests in the Partnership, as determined annually and prorated on a monthly basis and subsequently apportioned among the general partner and the unitholders of record as of the opening of the first business day of the month to which they relate, even though unitholders may dispose of their units during the month in question. A unitholder who disposes of common units prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deduction attributable to the month of disposition (and any other month during the quarter to which such cash distribution relates and the holder held common units on the first day of such month) but will not be entitled to receive a cash distribution for that period. In determining a unitholder's U.S. federal income tax liability, the unitholder is required to take into account the unitholder's share of income generated by us for each taxable year of the Partnership ending with or within the unitholder's taxable year, even if cash distributions are not made to the unitholder. As a consequence, a unitholder's share of our taxable income (and possibly the income tax payable by the unitholder with respect to such income) may exceed the cash actually distributed to the unitholder by us.

### ***Basis of Common Units***

A unitholder's initial tax basis for a common unit is generally the amount paid for the common unit and the unitholder's share of our nonrecourse liabilities (or liabilities for which no partner bears the economic risk of loss). A unitholder's basis is generally increased by the unitholder's share of our income and by any increases in the unitholder's share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by the unitholder's share of our losses, the amount of all distributions made to the unitholder (including deemed distributions due to a decrease in the unitholder's share of our nonrecourse liabilities) and the amount of any excess business interest allocated to the unitholder. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests.

### ***Limitations on Deductibility of Partnership Losses***

The deduction by a unitholder of that unitholder's allocable share of our losses will be limited to the amount of that unitholder's tax basis in his or her common units and, in the case of an individual unitholder or a corporate unitholder who is subject to the "at risk" rules (generally, certain closely-held corporations), to the amount for which the unitholder is considered to be "at risk" with respect to our activities, if that is less than the unitholder's tax basis. A unitholder must recapture losses deducted in previous years to the extent that distributions cause the unitholder's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction to the extent that his at-risk amount is subsequently increased, provided such losses do not exceed such unitholder's tax basis in his common units. Upon the taxable disposition of a common unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at risk limitation in excess of that gain could no longer be used.

In addition to the basis and at-risk limitations described above, a passive activity loss limitation generally limits the deductibility of losses incurred by individuals, estates, trusts, some closely-held corporations and personal service corporations from "passive activities" (generally, trade or business activities in which the taxpayer does not materially participate). The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will be available to offset only passive income generated by us, and will not be available to offset income from other passive activities or investments, including investments in other publicly traded partnerships or salary, active business or other income. Passive losses that exceed a unitholder's share of passive income we generate may be deducted in full when the unitholder disposes of all of its units in a fully taxable transaction with an unrelated party. The passive activity loss rules are generally applied after other applicable limitations on deductions, including the at risk and basis limitations.

For taxpayers other than corporations in taxable years beginning after December 31, 2020, and before January 1, 2029, an "excess business loss" limitation further limits the deductibility of losses by such taxpayers. An excess business loss is the excess (if any) of a taxpayer's aggregate deductions for the taxable year that are attributable to the trades or businesses of such taxpayer (determined without regard to the excess business loss limitation) over the aggregate gross income or gain of such taxpayer for the taxable year that is attributable to such trades or businesses plus a threshold amount. The threshold amount is equal to \$250,000, or \$500,000 for taxpayers filing a joint return, in each case, increased by the applicable inflation adjustment. Disallowed excess business losses are treated as a net operating loss carryover to the following tax year. Any losses we generate that are allocated to a unitholder and not otherwise limited by the basis, at risk, or passive loss limitations will be included in the determination of such unitholder's aggregate trade or business deductions. Consequently, any losses we generate that are not otherwise limited will only be available to offset a unitholder's other trade or business income plus an amount of non-trade or business income equal to the applicable threshold amount. Thus, except to the extent of the threshold amount, our losses that are not otherwise limited may not offset a unitholder's non-trade or business income (such as salaries, fees, interest, dividends and capital gains). This excess business loss limitation will be applied after the passive activity loss limitation.

### ***Limitations on Interest Deductions***

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, our deduction for this “business interest” is limited to the sum of our business interest income and 30% of our “adjusted taxable income.” For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest or business interest income. This limitation is first applied at the partnership level and any deduction for business interest is taken into account in determining our non-separately stated taxable income or loss. Then, in applying this business interest limitation at the partner level, the adjusted taxable income of each of our unitholders is determined without regard to such unitholder’s distributive share of any of our items of income, gain, deduction, or loss and is increased by such unitholder’s distributive share of our excess taxable income, which is generally equal to the excess of 30% of our adjusted taxable income over the amount of our deduction for business interest for a taxable year.

To the extent our deduction for business interest is not limited, we will allocate the full amount of our deduction for business interest among our unitholders in accordance with their percentage interests in us. To the extent our deduction for business interest is limited, the amount of any disallowed deduction for business interest will also be allocated to each unitholder in accordance with their percentage interest in us, but such amount of “excess business interest” will not be currently deductible. Subject to certain limitations and adjustments to a unitholder’s basis in its common units, this excess business interest may be carried forward and deducted by a unitholder in a future taxable year. Further, a unitholder’s basis in his or her common units will generally be increased by the amount of any excess business interest upon a disposition of such common units.

### ***Section 754 Election***

We have made the election provided for by Section 754 of the Code, which will generally result in a unitholder being allocated income and deductions calculated by reference to the portion of the unitholder’s purchase price attributable to each asset of the Partnership.

### ***Disposition of Common Units***

A unitholder who sells common units will recognize gain or loss equal to the difference between the amount realized and the adjusted tax basis of those common units (taking into account any basis adjustments attributable to previously disallowed interest deductions). A unitholder may not be able to trace basis to particular common units for this purpose. Thus, distributions of cash from us to a unitholder in excess of the income allocated to the unitholder will, in effect, become taxable income if the unitholder sells the common units at a price greater than the unitholder’s adjusted tax basis even if the price is less than the unitholder’s original cost. Moreover, a portion of the amount realized (whether or not representing gain) will be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder’s share of our nonrecourse liabilities, a unitholder may incur a tax liability in excess of the amount of cash the unitholder receives from the sale.

### ***State, Local and Other Tax Considerations***

In addition to U.S. federal income taxes, unitholders will likely be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which a unitholder resides or in which we conduct business or own property. We own property and conduct business in most states in the United States as well as several provinces in Canada. A unitholder may also be required to file state income tax returns and to pay taxes in various states, even if they do not live in those jurisdictions. As our entire Canadian source income passes through Canadian taxable entities, our unitholders do not have a separate Canadian tax filing obligation as it relates to this income. Unitholders who are not resident in the United States may have additional tax reporting and payment requirements.

A unitholder may be subject to interest and penalties for failure to comply with such requirements. In certain states, tax losses may not produce a tax benefit in the year incurred (if, for example, we have no income from sources within that state) and also may not be available to offset income in subsequent taxable years. Some states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Withholding, the amount of which may be more or less than a particular unitholder’s income tax liability owed to a particular state, may not relieve the unitholder from the obligation to file an income tax return in that state. Amounts withheld may be treated as if distributed to unitholders for purposes of determining the amounts distributed by us.



## ***Ownership of Common Units by Tax-Exempt Organizations and Certain Other Investors***

An investment in common units by tax-exempt organizations (including Individual Retirement Accounts (“IRAs”) and other retirement plans) and non-U.S. persons raises issues unique to such persons. Virtually all of our income allocated to a unitholder that is a tax-exempt organization is unrelated business taxable income and, thus, is taxable to such a unitholder. A unitholder who is a nonresident alien, non-U.S. corporation or other non-U.S. person is regarded as being engaged in a trade or business in the United States as a result of ownership of a common unit and, thus, is required to file U.S. federal income tax returns and to pay tax on the unitholder’s share of our taxable income and on gain realized from the sale or disposition of common units to the extent the gain is effectively connected with a U.S. trade or business of the non-U.S. unitholder.

Under rules applicable to publicly traded partnerships, distributions to non-U.S. persons are subject to withholding at the highest applicable effective tax rate. In addition, distributions to non-U.S. persons will also be subject to a 10% withholding tax on the amount of any distribution in excess of our cumulative net income. As we do not compute our cumulative net income for such purposes due to the complexity of the calculation and lack of clarity in how it would apply to us, we intend to treat all of our distributions as being in excess of our cumulative net income for such purposes and subject to such 10% withholding tax. Accordingly, distributions to non-U.S. persons will be subject to a combined withholding tax rate equal to the sum of the highest applicable effective tax rate and 10%.

Moreover, the transferee of an interest in a partnership that is engaged in a U.S. trade or business is generally required to withhold 10% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person. While the determination of a partner’s “amount realized” generally includes any decrease of a partner’s share of the partnership’s liabilities, the Treasury regulations provide that the “amount realized” on a transfer of an interest in a publicly traded partnership, such as our common units, will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and thus will be determined without regard to any decrease in that partner’s share of a publicly traded partnership’s liabilities. For a transfer of interests in a publicly traded partnership that is effected through a broker on or after January 1, 2023, the obligation to withhold is imposed on the transferor’s broker. Prospective foreign unitholders should consult their tax advisors regarding the impact of these rules on an investment in our common units.

## ***Audit Procedures***

Publicly-traded partnerships are treated as entities separate from their owners for purposes of U.S. federal income tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings for each of the partners. Pursuant to the Bipartisan Budget Act of 2015, for taxable years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, unless we elect to have our general partner, unitholders and former unitholders take any audit adjustment into account in accordance with their interests in us during the taxable year under audit. Similarly, for such taxable years, if the IRS makes audit adjustments to income tax returns filed by an entity in which we are a member or partner, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from such entity.

## ***Available Information***

We make available, free of charge on our Internet website at [www.plains.com](http://www.plains.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission (“SEC”). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Our website includes a significant amount of information about us, including financial and other information that could be deemed material to investors. Investors and others are encouraged to review the information posted on our website. The information posted on our website is not incorporated by reference into this Annual Report on Form 10-K or any of our other filings with the SEC.



## **Item 1A. Risk Factors**

Unless the context requires otherwise, references herein to our “facilities” includes all of the pipelines, terminals, storage and other assets owned by us. References to the “PAGP Entities” include PAGP GP, PAGP, Plains All American GP LLC, AAP and PAA GP LLC. References to our “general partner,” as the context requires, include any or all of the PAGP Entities. References to the “Plains Entities” include us, our subsidiaries and the PAGP Entities.

### **Summary of Risk Factors**

#### **Risks Related to Our Business**

Our business, results of operations, financial condition, cash flows and unit price can be adversely affected by many factors including but not limited to:

- the volume of crude oil, natural gas and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of our facilities, which can be negatively impacted by a variety of factors outside of our control;
- competition in our industry, including recontracting and other risks associated with the general capacity overbuild of midstream energy infrastructure in some of the areas where we operate;
- changes in supply and demand for the products we handle and the services we provide, which can be caused by a variety of factors outside of our control;
- natural disasters, catastrophes, terrorist attacks (including eco-terrorist attacks), process safety failures, equipment failures or other events, including pipeline or facility accidents and cyber or other attacks on our electronic and computer systems, could interrupt our operations, hinder our ability to fulfil our contractual obligations and/or result in severe personal injury, property damage and environmental damage;
- cybersecurity attacks, data breaches and other disruptions affecting us, or our service providers, could materially and adversely affect our business, operations, reputation and financial results;
- pandemics, epidemics or other public health events;
- societal and political pressures from various groups, including opposition to the development or operation of our pipelines and facilities;
- increased concern by financial stakeholders with respect to our governance structure and the perceived social and environmental cost of our industry;
- the overall forward market for crude oil and NGL, and certain market structures, the absence of pricing volatility and other market factors;
- an inability to fully implement or realize expected returns or other anticipated benefits associated with joint venture and joint ownership arrangements, acquisitions, divestitures and other projects;
- entering into new businesses in connection with our strategy to participate in emerging energy opportunities;
- loss of our investment grade credit rating or a significant reduction in our ability to receive open credit;
- the credit risk of our customers and other counterparties we transact with in the ordinary course of business activities;
- tightened capital markets or other factors that increase our cost of capital or otherwise limit our access to capital;
- the insufficiency of, or non-compliance with, our risk policies;
- our insurance coverage may not fully cover our losses and we may in the future encounter increased costs related to, and lack of availability of, insurance;
- our current or future debt levels, or inability to borrow additional funds or capitalize on business opportunities;
- changes in currency exchange rates;
- difficulties recruiting and retaining our workforce;
- an impairment of long-term assets;
- significant under-utilization of certain assets due to fixed costs incurred to obtain the right to use such assets;
- the cost to repair and maintain our assets;
- we do not own all of the land on which our pipelines and facilities are located, which could result in disruptions to our operations; and
- failure to obtain materials or commodities in the quantity and the quality we need, and at commercially acceptable prices, whether due to supply disruptions, inflation, tariffs, quotas or other factors.

## **Risks Related to Laws and Regulations**

Our business may be adversely impacted by existing or new laws, executive orders and regulations relating to protection of the environment and wildlife, operational safety, pandemics, cross-border import/export and tax matters, financial and hedging activities, climate change and related matters.

## **Risks Inherent in an Investment in Us**

Our partnership structure carries inherent risks, including but not limited to:

- cost reimbursements due to our general partner may be substantial and will reduce our cash available for distribution to unitholders;
- cash distributions are not guaranteed and may fluctuate with our performance and the establishment of financial reserves;
- our preferred units have rights, preferences and privileges that are not the same as, and are preferential to, the rights of holders of our common units;
- unitholders may not be able to remove our general partner even if they wish to do so;
- we may issue additional common units without unitholder approval, which would dilute a unitholder's existing ownership interests; and
- conflicts of interest could arise among our general partner and us or our unitholders.

## **Risks Related to an Investment in Our Debt Securities**

Holders of our debt securities are subject to risks including but not limited to:

- the right to receive payments on our outstanding debt securities is unsecured and will be effectively subordinated to our existing and future secured indebtedness and will be structurally subordinated as to any existing and future indebtedness and other obligations of our subsidiaries, other than subsidiaries that may guarantee our debt securities in the future; and
- we do not have the same flexibility as other types of organizations to accumulate cash, which may limit cash available to service our debt securities or to repay them at maturity.

## **Tax Risks to Common Unitholders and Series B Preferred Unitholders**

Our Common Units and Series B Preferred Units are subject to tax risks, which may adversely impact the value of or market for our units and may reduce our cash available for distribution or debt service, including but not limited to:

- our status as a partnership for U.S. federal income tax purposes and not being subject to a material amount of entity-level taxation;
- potential legislative, judicial or administrative changes or differing interpretations, possibly applied on a retroactive basis;
- potential audit adjustments to our income tax returns for tax years beginning after December 31, 2017, by the IRS or state tax authorities;
- IRS or Canada Revenue Agency ("CRA") contests to the federal income tax positions or inter-country allocations we take;
- our unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us;
- tax-exempt entities and non-U.S. unitholders face unique tax issues from owning our units;
- taxable gain or loss on the disposition of our common units could be more or less than expected;
- unitholders may be subject to limitation on their ability to deduct interest expense incurred by us;
- our unitholders will likely be subject to state, local and non-U.S. taxes and return filing requirements in states and jurisdictions where they do not live as a result of investing in our units; and
- the tax treatment of income attributable to distributions on our Series B Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of our Series B Preferred Units than the holders of our common units and such income is not eligible for the 20% deduction for qualified publicly traded partnership income.

## Risks Related to Our Business

***Our profitability depends on the volume of crude oil, natural gas and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of our facilities, which can be negatively impacted by a variety of factors outside of our control.***

Drilling activity, crude oil production and benchmark crude oil prices can fluctuate significantly over time for a wide variety of reasons, including prevailing economic conditions, reduced demand by consumers for end products made with hydrocarbons, increased competition, adverse weather conditions, public health emergencies, and government laws and regulations affecting prices and production levels. Crude oil prices may also decline due to actions of domestic or foreign oil producers—they may take actions that create an over-supply of crude oil, and decrease benchmark crude oil prices. If producers reduce drilling activity in response to future declines in such prices, reduced capital market access, increased capital raising costs or adverse governmental or regulatory action including, for example, federal, state or local laws or regulations that restrict drilling activities for environmental, seismic or other reasons, it could adversely impact current or future production levels. In turn, such developments could lead to reduced throughput on our pipelines and at our other facilities, which, depending on the level of production declines, could have a material adverse effect on our business.

Also, except with respect to some of our recently constructed long haul pipeline assets, third-party shippers generally do not have long-term contractual commitments to ship crude oil on our pipelines. A decision by a shipper to substantially reduce or cease to ship volumes of crude oil on our pipelines could cause a significant decline in our revenues.

To maintain the volumes of crude oil we purchase in connection with our operations, we must continue to contract for new supplies of crude oil to offset volumes lost because of reduced drilling activity by producers, natural declines in crude oil production from depleting wells or volumes lost to competitors. If production declines, competitors with under-utilized assets could adversely impact our ability to secure additional supplies of crude oil.

***Our profitability can be negatively affected by a variety of factors stemming from competition in our industry, including recontracting and other risks associated with the general capacity overbuild of midstream energy infrastructure in some of the areas where we operate.***

We face competition in all aspects of our business and can give no assurances that we will be able to compete effectively against our competitors. In general, competition comes from a wide variety of participants in a wide variety of contexts, including new entrants and existing participants and in connection with day-to-day business, investment capital projects, acquisitions and joint venture activities. Some of our competitors have capital resources many times greater than ours or control greater supplies of crude oil, natural gas or NGL. In addition, other competitors with significant excess capacity and high financial leverage may be motivated to reduce transportation rates to levels approaching variable operating costs, without regard to whether they are generating an acceptable return on their investment. These competitive risks make it more difficult for us to attract new customers and expose us to increased contract renewal and customer retention risk with respect to our existing customers and make recontracting at favorable rates and volumes more challenging, including, for example, with respect to certain of our long-haul Permian pipelines.

A significant driver of competition in some of the markets where we operate (including, for example, the Eagle Ford, Permian Basin, and Rockies/Bakken areas) stems from the rapid development of new midstream energy infrastructure capacity that was driven by the combination of (i) significant increases in oil and gas production and development in the applicable production areas, both actual and anticipated, (ii) relatively low barriers to entry and (iii) generally widespread access to relatively low cost capital. While this environment presented opportunities for us, many of the areas where we operate have become overbuilt, resulting in an excess of midstream energy infrastructure capacity. In addition, as an established participant in some markets, we also face competition from aggressive new entrants to the market who are willing to provide services at a lower rate of return in order to establish relationships and gain a foothold in the market. In addition, our crude oil and NGL merchant activities utilize many of our pipelines and facilities. Competition that impacts our merchant activities could result in a reduction in the use of our transportation and facilities assets. All of these competitive effects put downward pressure on our throughput and margins and, together with other adverse competitive effects, could have a significant adverse impact on our financial position, cash flows and ability to pay or increase distributions to our unitholders.

With respect to our crude oil activities, our competitors include other crude oil pipelines, the major integrated oil companies, their marketing affiliates, refiners, private equity-backed entities, and independent gatherers, brokers and marketers of widely varying sizes, financial resources and experience. We compete against these companies on the basis of many factors, including geographic proximity to production areas, market access, rates, terms of service, connection costs and other factors.

With regard to our NGL operations, we compete with large oil, natural gas and natural gas liquids companies that may, relative to us, have greater financial resources and access to supplies of natural gas and NGL. The principal elements of competition are rates, processing fees, geographic proximity to the natural gas or NGL mix, available processing and fractionation capacity, transportation alternatives and their associated costs, and access to end-user markets.

***Changes in supply and demand for the products we handle, which can be caused by a variety of factors outside of our control, can negatively affect our operating results.***

Supply and demand for crude oil and other hydrocarbon products we handle is dependent upon a variety of factors, including price, current and future economic conditions, fuel conservation measures, alternative fuel adoption, governmental regulation, including climate change regulations, and technological advances in fuel economy and energy generation and storage technologies. For example, legislative, regulatory or executive actions intended to reduce emissions of greenhouse gases could increase the cost of consuming crude oil and other hydrocarbon products or accelerate the adoption of alternative energy technologies, thereby causing a reduction in the demand for such products. Given that crude oil and petroleum products are global commodities, demand can also be significantly influenced by global market conditions, particularly in key consumption markets such as the United States and China, domestic and foreign political conditions and governmental or regulatory actions (including restrictions on the import or export of crude oil or petroleum products). Demand also depends on the ability and willingness of shippers having access to our transportation assets to satisfy their demand by deliveries through those assets. Decreases in demand for the products we handle, whether at a global level or in areas our assets serve, can negatively affect our operating results.

The supply of crude oil depends on a variety of global political and economic factors, including the reliance of foreign governments on petroleum revenues. Excess global supply of crude oil may negatively impact our operating results by decreasing the price of crude oil and making production and transportation less profitable in areas we service.

Fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdowns, can have a negative effect on our operating results. Specifically, reduced demand in an area serviced by our transportation systems will negatively affect the throughput on such systems. Although the negative impact may be mitigated or overcome by our ability to capture differentials created by demand fluctuations, this ability is dependent on the availability of certain grades of crude oil at specific locations, and thus is largely unpredictable.

Fluctuations in demand for NGL products, whether because of general or industry specific economic conditions, new government regulations, global competition, reduced demand by consumers for products made with NGL products, increased competition from petroleum-based feedstocks due to pricing differences, mild winter weather for some NGL products, particularly propane, or other reasons, could result in a decline in the volume of NGL products we handle or a reduction of the fees we charge for our services or margins we earn. Also, increased supply of NGL products could reduce the value of NGL we handle and reduce the margins realized by us.

NGL and products produced from NGL also compete with products from global markets. Any reduced demand or increased supply for ethane, propane, normal butane, iso-butane or natural gasoline in the markets we access for any of the reasons stated above could adversely affect demand for the services we provide as well as NGL prices, which could negatively impact our operating results.

***Natural disasters, catastrophes, terrorist attacks (including eco-terrorist attacks), process safety failures, equipment failures or other events, including pipeline or facility accidents and cyber or other attacks on our electronic and computer systems, could interrupt our operations, hinder our ability to fulfil our contractual obligations and/or result in severe personal injury, property damage and environmental damage, which could have a material adverse effect on our financial position, results of operations and cash flows.***

Some of our operations involve risks of personal injury, property damage and environmental damage that could curtail our operations and otherwise materially adversely affect our cash flow. Virtually all of our operations are exposed to potential natural disasters or other natural events, including hurricanes, tornadoes, storms, floods, earthquakes, shifting soil and/or landslides. The location of some of our assets and our customers' assets in the U.S. Gulf Coast region makes them particularly vulnerable to hurricane or tropical storm risk. Our facilities and operations are also vulnerable to accidents caused by process safety failures, equipment failures, or human error. In addition, the U.S. government has previously issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be targets of terrorist organizations. Terrorists may target our physical facilities and hackers may attack our electronic and computer systems.

If one or more of our pipelines or other facilities, including electronic and computer systems, or any facilities or businesses that deliver products, supplies or services to us or that we rely on in order to operate our business, are damaged by severe weather or any other disaster, accident, catastrophe, terrorist attack or event, our operations could be significantly interrupted. In addition, our merchant activities include purchasing crude oil and NGL that is carried on railcars, tankers or barges. Such cargos are at risk of being damaged or lost because of events such as derailment, marine disaster, inclement weather, mechanical failures, grounding or collision, fire, explosion, environmental accidents, piracy, terrorism and political instability. These incidents or interruptions could involve significant damage or injury to people, property or the environment, and repairs could take anywhere from a few days to several months or more depending on the severity and impact of the event. Any such event that interrupts the revenues generated by our operations, hinders our ability to fulfil our contractual obligations or which causes us to make significant expenditures not covered by insurance, could reduce our profitability, cash flows and cash available for paying distributions to our partners and, accordingly, adversely affect our financial condition and the market price of our securities.

We may also suffer damage (including reputational damage) as a result of a disaster, accident, catastrophe, terrorist attack or other such event. The occurrence of such an event, or a series of such events, especially if one or more of them occurs in a highly populated or sensitive area, could negatively impact public perception of our operations and/or make it more difficult for us to obtain the approvals, permits, licenses or real property interests we need in order to operate our assets or complete planned growth projects or other transactions.

***Cybersecurity attacks, data breaches and other disruptions affecting us, or our service providers, could materially and adversely affect our business, operations, reputation and financial results.***

We are reliant on the continuous and uninterrupted operation of our various technology systems. User access to our sites and information technology systems are critical elements of our operations, as is cloud security and protection against cyber security incidents. In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, proprietary business information, critical operating information and data, information regarding our customers, suppliers, royalty owners and business partners, and personally identifiable information of our employees. We also engage third parties, such as service providers and vendors, who provide a broad array of software, technologies, tools and other products, services and functions that enable us to conduct, monitor and/or protect our business, operations systems and data assets. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, the information technology and infrastructure we rely on may be vulnerable to attacks by third parties, such as hackers, or breached due to human error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties for divulging shipper information, disruption of our operations, damage to our reputation, and loss of confidence in our services, which could adversely affect our business.

We and certain of our service providers have, from time to time, been subject to cyberattacks. The frequency and magnitude of cyberattacks is expected to increase and attackers are becoming more sophisticated. We may be unable to anticipate, detect or prevent future attacks, particularly as the methodologies used by attackers change frequently or are not recognized until launched, and we may be unable to investigate or remediate incidents because attackers are increasingly using techniques and tools designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence.

The information technology infrastructure we use is critical to the efficient operation of our business and essential to our ability to perform day-to-day operations. Risks to our information technology systems include: unauthorized or inadvertent extraction of business sensitive, confidential or personal information; denial of access extortion; corruption of information; or disruption of business processes. Breaches of our information technology infrastructure or physical facilities, or other disruptions, could result in damage to our assets, safety incidents, damage to the environment, remediation costs, liability, regulatory enforcement, violation of privacy or securities laws and regulations, the loss of contracts or the inability to fulfil our contractual obligations, any of which could have a material adverse effect on our operations, financial position and results of operations. In addition, we may be required to invest significant additional resources to enhance our information security and controls or to comply with evolving cybersecurity laws or regulations.

We self-insure and thus do not carry insurance specifically for cybersecurity events; however, certain of our insurance policies may allow for coverage of associated damages resulting from such events. If we were to incur a significant liability for which we were not fully insured, or if we incurred costs in excess of reserves established for uninsured or self-insured risks, it could have a material adverse effect on our financial position, results of operations and cash flows.



***Our business, results of operations, financial condition, cash flows and unit price can be adversely affected by pandemics, epidemics or other public health events.***

Our business, results of operations, financial condition, cash flows and unit price can be adversely affected by pandemics, epidemics or other public health events. Such events may cause widespread economic disruption and result in material reductions in demand for crude oil, NGL and other petroleum products, which in turn may result in significant declines in the volume of crude oil and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of many of our assets. The effects of a public health event depend on a wide variety of factors that are outside of our control, including the clinical severity and transmissibility of the virus or pathogen; the development, deployment, adoption and effectiveness of treatments and vaccines; the capacity of healthcare systems and public health infrastructure; and the response of public health authorities, governments and individuals in areas impacted by such event.

***We may face opposition from various groups to the development or operation of our pipelines and facilities and our business may be subject to societal and political pressures.***

We may face opposition to the development or operation of our pipelines and facilities from environmental groups, landowners, indigenous groups, local groups and other advocates. Such opposition could take many forms, including organized protests, attempts to block or sabotage our operations, intervention in regulatory or administrative proceedings involving our assets, or lawsuits or other actions designed to prevent, disrupt or delay the development or operation of our assets and business. For example, repairing our pipelines often involves securing consent from individual landowners to access their property; one or more landowners may resist our efforts to make needed repairs, which could lead to an interruption in the operation of the affected pipeline or other facility for a period of time that is significantly longer than would have otherwise been the case. In addition, acts of sabotage or eco-terrorism could cause significant damage or injury to people, property or the environment or lead to extended interruptions of our operations. Any such event that interrupts the revenues generated by our operations, or which causes us to make significant expenditures not covered by insurance, could reduce our cash available for paying distributions to our partners and, accordingly, adversely affect our financial condition and the market price of our securities.

Our business plans are based upon the assumption that societal sentiment and applicable laws and regulations will continue to allow and enable the future development, transportation and use of hydrocarbon-based fuels. Policy decisions relating to the production, refining, transportation and marketing of hydrocarbon-based fuels are subject to political pressures, the negative portrayal of the industry in which we operate by the media and others, and the influence and protests of environmental and other special interest groups. Such negative sentiment regarding the hydrocarbon energy industry could influence consumer preferences and government or regulatory actions, which could, in turn, have an adverse impact on our business.

Activists concerned about the potential effects of climate change have directed their attention towards sources of funding for hydrocarbon energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in energy-related activities. Ultimately, this could make it more difficult to secure funding for exploration and production activities or energy infrastructure related projects and ongoing operations, and consequently could both indirectly affect demand for our services and directly affect our ability to fund construction or other capital projects and our ongoing operations.

***We are subject to increased concern by institutional investors with respect to the perceived social and environmental cost of our industry and our governance structure, which may adversely impact our ability to raise capital from such investors.***

In recent years, certain financial stakeholders, including institutional investors such as public pension funds, have placed increased importance on the implications and social cost of ESG matters. ESG factors are playing an increasingly important role in the investment decisions made by investors, and companies involved in certain industries or with certain governance structures, such as master limited partnerships, are receiving increased scrutiny.

Investors' increased focus and activism related to ESG and similar matters could constrain our ability to raise capital. Any material limitations on our ability to access capital as a result of such scrutiny could limit our ability to obtain future financing on favorable terms, or at all, or could result in increased financing costs in the future. Similarly, such activism could negatively impact our unit price, limiting our ability to raise capital through equity issuances or debt financing, or could negatively affect our ability to engage in, expand or pursue our business activities, and could also prevent us from engaging in certain transactions that might otherwise be considered beneficial to us.

Businesses across all industries are facing increasing attention from stakeholders related to their ESG practices. Businesses that do not adapt to or comply with investor or stakeholder expectations and standards, which are continuing to evolve, or businesses that are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and/or equity value of such business entity could be materially and adversely affected. Increasing attention to climate change, societal expectations on companies to address climate change, investor expectations regarding voluntary ESG related disclosures, increasing mandatory ESG disclosures, and consumer demand for alternative forms of energy may result in increased costs, reduced demand for our services or the products we handle, reduced profits, increased legislative and judicial scrutiny, investigations and litigation, reputational damage, and negative impacts on our access to capital markets. We could also be subject to additional governmental investigations, private litigation, or activist campaigns as unitholders may attempt to effect changes to our business or governance practices.

In March 2022, the SEC issued a proposed rule that would mandate extensive disclosure of climate-related risks, including financial impacts, physical and transition risks, climate-related governance and strategy, and GHG emissions, for all U.S.-listed public companies. The SEC missed its self-imposed October 2022 deadline for issuing a final rule and most commentators now expect a final rule to be issued in 2023. Although the final form and substance of this rule and its requirements are not yet known and its ultimate impact on our business is uncertain, compliance with the proposed rule, if finalized, will result in additional legal, accounting and financial compliance costs. In addition, enhanced climate-related disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon-intensive sectors.

***Our crude oil and NGL merchant activities are influenced by the overall forward market for crude oil and NGL, and certain market structures, the absence of pricing volatility and other market factors may adversely impact our results.***

The profitability of our crude oil and NGL merchant activities are dependent on a variety of factors affecting the markets for crude oil and NGL, including regional and international supply and demand imbalances, takeaway availability and constraints, transportation costs and the overall forward market for crude oil and NGL products. Periods when differentials are wide or when there is volatility in the forward market structure are generally more favorable for our merchant activities. During periods where midstream infrastructure is over-built and/or there is a lack of volatility in the pricing structure, our results may be negatively impacted. Depending on the overall duration of these transition periods, how we have allocated our assets to particular strategies and the tenor of our crude oil purchase and sale contracts and storage agreements, these periods may have either an adverse or beneficial effect on the profitability of our merchant activities. In the past, the results of such activities have varied significantly based on market conditions and these activities may continue to experience highly variable results as a result of future changes to the markets for crude oil and NGL.

***Joint ventures, joint ownership arrangements and other projects pose unique challenges and we may not be able to fully implement or realize synergies, expected returns or other anticipated benefits associated with such projects.***

We are involved in many strategic joint ventures and other joint ownership arrangements. We may not always be in complete alignment with our joint venture or joint owner counterparties; we may have differing strategic or commercial objectives and may be outvoted by our joint venture partners or we may disagree on governance matters with respect to the joint venture entity or the jointly owned assets. When we enter into joint ventures or joint ownership arrangements we may be subject to the risk that our counterparties do not fund their obligations. In some joint ventures and joint ownership arrangements we may not be responsible for construction or operation of such projects and will rely on our joint venture or joint owner counterparties for such services. Joint ventures and joint ownership arrangements may also require us to expend additional internal resources that could otherwise be directed to other projects. If we are unable to successfully execute and manage our existing and proposed joint venture and joint owner projects, it could adversely impact our financial and operating results.

We are undertaking, or are participating with various counterparties in, a number of projects that involve the expansion, modification, divestiture or combination of existing assets or the construction of new midstream energy infrastructure assets. Many of these projects involve numerous regulatory, environmental, commercial, economic, weather-related, political and legal uncertainties that are beyond our control, including the following:

- We may be unable to realize our forecasted commercial, operational or administrative synergies in connection with our joint ventures and joint ownership arrangements, including the Plains Oryx Permian Basin LLC joint venture;
- Joint ventures and other joint ownership arrangements may demand substantial internal resources and may divert resources and attention from other areas of our business;

- We may construct pipelines, facilities or other assets in anticipation of market demand that dissipates or market growth that never materializes;
- Despite the fact that we will expend significant amounts of capital during the construction phase of growth or expansion projects, revenues associated with these organic growth projects will not materialize until the projects have been completed and placed into commercial service, and the amount of revenue generated from these projects could be significantly lower than anticipated for a variety of reasons;
- As these projects are undertaken, required approvals, permits and licenses may not be obtained, may be delayed, may be obtained with conditions that materially alter the expected return associated with the underlying projects or may be granted and then subsequently withdrawn;
- We may face opposition to our planned projects from environmental groups, landowners, local groups and other advocates, including lawsuits or other actions designed to disrupt or delay our planned projects;
- We may not be able to obtain, or we may be significantly delayed in obtaining, all of the rights of way or other real property interests we need to complete such projects, or the costs we incur in order to obtain such rights of way or other interests may be greater than we anticipated;
- Due to unavailability or costs of materials, supplies, power, labor or equipment, including increased costs associated with any import duties or requirements to source certain supplies or materials from U.S. suppliers or manufacturers, the cost of completing these projects could turn out to be significantly higher than we budgeted and the time it takes to complete construction of these projects and place them into commercial service could be significantly longer than planned; and
- The completion or success of our projects may depend on the completion or success of third-party facilities over which we have no control.

As a result of these uncertainties, the anticipated benefits associated with our joint ventures and joint ownership arrangements may not be achieved or could be delayed. In turn, this could negatively impact our cash flow and our ability to make or increase cash distributions to our partners.

***We may enter into new businesses in connection with our strategy to participate in emerging energy opportunities. If we are unable to execute on this strategy or operate these new lines of business effectively, our future growth could be limited. These new lines of business may never develop or may present risks that we cannot effectively manage.***

As part of our strategy, we intend to evaluate the potential to repurpose certain under-utilized assets for an alternative use in emerging energy opportunities. This may involve entering into new lines of businesses, which present different challenges and risks. We may be unable to execute on our business plans, demand for these new services may not develop on a large or economic scale, or we may fail to operate these businesses effectively. In addition, we may not be able to compete with companies who also plan to enter into these new lines of business, and who may be larger than us and may have greater financial resources to devote to these businesses. These new businesses may also present novel issues in law, taxation, safety or environmental policy, and other areas that we may not be able to manage effectively. Management's assessment of the risks in these new lines of business may be inexact and not identify or resolve all the problems that we would face. If we are not able to enter into these new lines of business effectively or at all, it could limit our future growth if such emerging energy businesses grow and become a more important part of the energy industry.

***Loss of our investment grade credit rating or the ability to receive open credit could negatively affect our borrowing costs, ability to purchase crude oil, NGL and natural gas supplies or to capitalize on market opportunities.***

Our business is dependent on our ability to maintain an attractive credit rating and continue to receive open credit from our suppliers and trade counterparties. Our senior unsecured debt is currently rated as "investment grade" by Standard & Poor's, Moody's Investors Service and Fitch Ratings Inc. A downgrade by such agencies to a level below investment grade could increase our borrowing costs, reduce our borrowing capacity and cause our counterparties to reduce the amount of open credit we receive from them. This could negatively impact our ability to capitalize on market opportunities. For example, our ability to utilize our crude oil storage capacity for merchant activities to capture contango market opportunities is dependent upon having adequate credit facilities, both in terms of the total amount of credit facilities and the cost of such credit facilities, which enables us to finance the storage of the crude oil from the time we complete the purchase of the crude oil until the time we complete the sale of the crude oil. Accordingly, loss of our investment grade credit ratings could adversely impact our cash flows, our ability to make distributions and the value of our outstanding equity and debt securities.

***We are exposed to the credit risk of our customers and other counterparties we transact with in the ordinary course of our business activities.***

Risks of nonpayment and nonperformance by customers or other counterparties are a significant consideration in our business. Although we have credit risk management policies and procedures that are designed to mitigate and limit our exposure in this area, there can be no assurance that we have adequately assessed and managed the creditworthiness of our existing or future counterparties or that there will not be an unanticipated deterioration in their creditworthiness or unexpected instances of nonpayment or nonperformance, all of which could have an adverse impact on our cash flow and our ability to pay or increase our cash distributions to our partners.

We have a number of minimum volume commitment contracts that support our pipelines. In addition, certain of the pipelines in which we own a joint venture interest have minimum volume commitment contracts. Pursuant to such contracts, shippers are obligated to pay for a minimum volume of transportation service regardless of whether such volume is actually shipped (typically referred to as a deficiency payment), subject to the receipt of credits that typically expire if not used by a certain date. While such contracts provide greater revenue certainty, if the applicable shipper fails to transport the minimum required volume and is required to make a deficiency payment, under applicable accounting rules, the revenue associated with such deficiency payment may not be recognized until the applicable transportation credit has expired or has been used. Deferred revenue associated with non-performance by shippers under minimum volume contracts could be significant and could adversely affect our profitability and earnings.

In addition, in those cases in which we provide division order services for crude oil purchased at the wellhead, we may be responsible for distribution of proceeds to all parties. In other cases, we pay all of or a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners. These arrangements expose us to operator credit risk, and there can be no assurance that we will not experience losses in dealings with such operators and other parties.

Further, to the extent one or more of our major customers experiences financial distress or commences bankruptcy proceedings, contracts with such customers (including contracts that are supported by acreage dedications) may be subject to renegotiation or rejection under applicable provisions of the United States Bankruptcy Code. Any such renegotiation or rejection could have an adverse effect on our revenue and cash flows and our ability to make cash distributions to our unitholders.

We have also undertaken numerous projects that require cooperation with and performance by joint venture co-owners. In addition, in connection with various acquisition, divestiture, joint venture and other transactions, we often receive indemnifications from various parties for certain risks or liabilities. Nonperformance by any of these parties could result in increased costs or other adverse consequences that could decrease our earnings and returns.

We also rely to a significant degree on the banks that lend to us under our revolving credit facility for financial liquidity, and any failure of those banks to perform their obligations to us could significantly impair our liquidity. Furthermore, nonpayment by the counterparties to our interest rate and/or commodity derivatives could expose us to additional interest rate and/or commodity price risk.

***Acquisitions and divestitures involve risks that may adversely affect our business.***

Our ability to execute our financial strategy is in part dependent on our ability to complete strategic transactions, including acquisitions, divestitures or sales of interests to strategic partners. If we are unable to successfully complete, integrate or realize the anticipated benefits of future acquisitions or planned divestitures (due to reduced investment in the energy sector, governmental action, litigation, counterparty non-performance or other factors), it may be more difficult for us to implement our business strategies, achieve our desired leverage levels, increase returns to equity holders or otherwise accomplish our financial goals. In addition, in connection with our divestitures, we may agree to retain responsibility for certain liabilities that relate to our period of ownership, which could adversely impact our future financial performance.

Acquisitions also involve potential risks, including:

- performance from the acquired businesses or assets that is below the forecasts we used in evaluating the acquisition;
- a significant increase in our indebtedness and working capital requirements;
- the inability to timely and effectively integrate the operations of recently acquired businesses or assets;

- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets for which we are either not fully insured or indemnified, including liabilities arising from the operation of the acquired businesses or assets prior to our acquisition;
- risks associated with operating in lines of business that are distinct and separate from our historical operations;
- customer or key employee loss from the acquired businesses; and
- the diversion of management's attention from other business concerns.

Any of these factors could adversely affect our ability to achieve anticipated levels of cash flows or other benefits from our acquisitions, pay distributions to our partners or meet our debt service requirements.

***Tightened capital markets or other factors that increase our cost of capital or otherwise limit our access to capital could impair our ability to achieve our strategic objectives.***

Any limitations on our access to capital or increase in the cost of that capital could significantly impair the implementation of our strategy. Our inability to maintain our targeted credit profile, including maintaining our credit ratings, could adversely affect our cost of capital as well as our ability to execute our strategy. In addition, a variety of factors beyond our control could impact the availability or cost of capital, including domestic or international economic conditions, increases in key benchmark interest rates and/or credit spreads, the adoption of new or amended banking or capital market laws or regulations, the re-pricing of market risks and volatility in capital and financial markets.

Due to these factors, we cannot be certain that funding for our capital needs will be available from bank credit arrangements, capital markets or other sources on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to implement our development plans, enhance our existing business, complete strategic projects and transactions, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our cash flows and results of operations.

***Our risk policies cannot eliminate all risks and the insufficiency of, or non-compliance with our risk policies could result in significant financial losses.***

Generally, it is our policy to establish a margin for crude oil or other products we purchase by selling such products for physical delivery to third-party users, or by entering into a future delivery obligation under derivative contracts. Through these transactions, we seek to maintain a position that is substantially balanced between purchases on the one hand, and sales or future delivery obligations on the other hand. Our policy is not to acquire and hold physical inventory or derivative products for the purpose of speculating on commodity price changes. These policies and practices cannot, however, eliminate all risks. For example, any event that disrupts our anticipated physical supply of crude oil or other products could expose us to risk of loss resulting from price changes. We are also exposed to basis risk when crude oil or other products are purchased against one pricing index or benchmark and sold against a different index or benchmark. We may also face disruptions to futures markets for crude oil, NGL and other petroleum products, which may impair our ability to execute our commercial or hedging strategies. Margin requirements due to spikes or crashes in commodity prices may require us to exit hedge strategies at inopportune times. We are also exposed to some risks that are not hedged, including risks on certain of our inventory, such as linefill, which must be maintained in order to transport crude oil on our pipelines. In an effort to maintain a balanced position, specifically authorized personnel can purchase or sell crude oil, refined products and NGL, up to predefined limits and authorizations. Although this activity is monitored independently by our risk management function, it exposes us to commodity price risks within these limits.

In addition, our operations involve the risk of non-compliance with our risk policies. We have taken steps within our organization to implement processes and procedures designed to detect unauthorized trading; however, we can provide no assurance that these steps will detect and prevent all violations of our risk policies and procedures, particularly if deception, collusion or other intentional misconduct is involved.



***Our insurance coverage may not fully cover our losses and we may in the future encounter increased costs related to, and lack of availability of, insurance.***

While we maintain insurance coverage at levels that we believe to be reasonable and prudent, we can provide no assurance that our current levels of insurance will be sufficient to cover any losses that we have incurred or may incur in the future, whether due to deductibles, coverage challenges or other limitations. In addition, over the last several years, as the scale and scope of our business activities has expanded, the breadth and depth of available insurance markets has contracted. As a result of these factors and other market conditions, as well as the fact that we have experienced several incidents in the past, premiums and deductibles for certain insurance policies have increased substantially. Accordingly, we can give no assurance that we will be able to maintain adequate insurance in the future at rates or on other terms we consider commercially reasonable. In addition, although we believe that we currently maintain adequate insurance coverage, insurance will not cover many types of interruptions or events that might occur and will not cover all risks associated with our operations. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. The occurrence of a significant event, the consequences of which are either not covered by insurance or not fully insured, or a significant delay in, or denial of, the payment of a major insurance claim, could materially and adversely affect our financial position, results of operations and cash flows. For a discussion of our Line 901 Incident insurance receivable, please read Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates— Line 901 Incident Insurance Receivable” and Note 19 to our Consolidated Financial Statements.

***The terms of our indebtedness may limit our ability to borrow additional funds or capitalize on business opportunities. In addition, our current or future debt levels, or inability to borrow additional funds or capitalize on business opportunities, may limit our future financial and operating flexibility.***

As of December 31, 2022, the face value of our consolidated debt outstanding was approximately \$8.5 billion (excluding unamortized discounts and debt issuance costs of approximately \$46 million), consisting of approximately \$7.3 billion face value of long-term debt (including senior notes and finance lease obligations) and approximately \$1.2 billion of short-term borrowings. As of December 31, 2022, we had approximately \$3 billion of liquidity available, including cash and cash equivalents and available borrowing capacity under our senior unsecured revolving credit facility and our senior secured hedged inventory facility, subject to continued covenant compliance. Lower Adjusted EBITDA could increase our leverage ratios and effectively reduce our ability to incur additional indebtedness.

The amount of our current or future indebtedness could have significant effects on our operations, including, among other things:

- a significant portion of our cash flow will be dedicated to the payment of principal and interest on our indebtedness and may not be available for other purposes, including the payment of distributions on our units and capital expenditures;
- credit rating agencies may view our debt level negatively;
- covenants contained in our existing debt arrangements will require us to continue to meet financial tests that may adversely affect our flexibility to plan for and react to changes in our business;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general partnership purposes may be limited;
- we may be at a competitive disadvantage relative to similar companies that have less debt; and
- we may be more vulnerable to adverse economic and industry conditions as a result of our significant debt level.

Our credit agreements prohibit distributions on, or purchases or redemptions of, units if any default or event of default is continuing. In addition, the agreements contain various covenants limiting our ability to, among other things, incur indebtedness if certain financial ratios are not maintained, grant liens, engage in transactions with affiliates, enter into sale-leaseback transactions, and sell substantially all of our assets or enter into a merger or consolidation. Our credit facilities treat a change of control as an event of default and also requires us to maintain a certain debt coverage ratio. Our senior notes do not restrict distributions to unitholders, but a default under our credit agreements will be treated as a default under the senior notes. Please read Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreements, Commercial Paper Program and Indentures.”

Our ability to access capital markets to raise capital on favorable terms will be affected by our debt level, our operating and financial performance, the amount of our current maturities and debt maturing in the next several years, and by prevailing market conditions. In addition, if the rating agencies were to downgrade our credit ratings, then we could experience an increase in our borrowing costs, face difficulty accessing capital markets or incurring additional indebtedness, be unable to receive open credit from our suppliers and trade counterparties, be unable to benefit from swings in market prices and shifts in market structure during periods of volatility in the crude oil market or suffer a reduction in the market price of our common units. If we are unable to access the capital markets on favorable terms at the time a debt obligation becomes due in the future, we might be forced to refinance some of our debt obligations through more expensive and restrictive bank credit, as opposed to long-term public debt securities or equity securities, or the sale of assets. The price and terms upon which we might receive such extensions or additional bank credit, if at all, could be more onerous than those contained in existing debt agreements. Any such arrangements could, in turn, increase the risk that our leverage may adversely affect our future financial and operating flexibility and thereby impact our ability to execute our capital allocation strategies and priorities.

***Increases in interest rates could adversely affect our business and the trading price of our units.***

As of December 31, 2022, the face value of our consolidated debt was approximately \$8.5 billion (excluding unamortized discounts and debt issuance costs of approximately \$46 million), substantially all of which was at fixed interest rates. We are exposed to market risk due to the short-term nature of our commercial paper borrowings and the floating interest rates on our credit facilities. Our results of operations, cash flows and financial position could be adversely affected by significant increases in interest rates above current levels. Additionally, increases in interest rates could adversely affect our merchant activities by increasing interest costs associated with the storage of hedged crude oil and NGL inventory. In addition, distributions on our Series B preferred units accumulate for each distribution period at a percentage of the liquidation preference equal to the applicable three-month LIBOR (or, if discontinued, a substitute or successor rate determined by the calculation agent), plus a spread of 4.11%. Further, the trading price of our common units may be sensitive to changes in interest rates and any rise in interest rates could adversely impact such trading price.

***Changes in currency exchange rates could adversely affect our operating results.***

Because we are a U.S. dollar reporting company and also conduct operations in Canada, we are exposed to currency fluctuations and exchange rate risks that may adversely affect the U.S. dollar value of our earnings, cash flow and partners' capital under applicable accounting rules. For example, if the U.S. dollar appreciates against the Canadian dollar, the U.S. dollar value of our Canadian dollar denominated earnings is reduced for U.S. reporting purposes.

***Our business requires the retention and recruitment of a skilled workforce, and difficulties retaining and recruiting our workforce could result in a failure to implement our business plans.***

Our operations and management require the retention and recruitment of a skilled workforce, including engineers, technical personnel and other professionals. We and our affiliates compete with other companies both within and outside the energy industry for this skilled workforce, and other employers may be able to offer potential employees higher salaries, more attractive benefits or work arrangements or opportunities to work in industries with greater perceived status or growth potential. If we are unable to (i) retain current employees; and/or (ii) recruit new employees of comparable knowledge and experience, our business could be negatively impacted. In addition, we could experience increased costs to retain current employees and recruit new employees.

***An impairment of long-term assets could reduce our earnings.***

At December 31, 2022, we had approximately \$15.3 billion of net property and equipment, \$961 million of linefill, \$3.1 billion of investments accounted for under the equity method of accounting and approximately \$2.1 billion of net intangible assets capitalized on our balance sheet. GAAP requires an assessment for impairment in certain circumstances, including when there is an indication that the carrying value of property and equipment may not be recoverable. If we were to determine that any of our property and equipment, linefill, intangibles or equity method investments was impaired, we could be required to take an immediate charge to earnings, which could adversely impact our operating results, with a corresponding reduction of partners' capital and increase in balance sheet leverage as measured by debt-to-total capitalization. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" for additional discussion of our accounting policies and use of estimates associated with impairments. During the year ended December 31, 2022, we recognized non-cash impairment charges of approximately \$330 million related to the write-down of certain long-lived crude oil assets in California. See Note 6 to our Consolidated Financial Statements for additional information regarding these impairments.

***We are dependent on the use or availability of third-party assets for certain of our operations.***

Certain of our business activities require the use or availability of third-party assets over which we may have little or no control. If at any time the availability of these assets is limited or denied, and if access to alternative assets cannot be arranged, it could have an adverse effect on our business, results of operations and cash flow.

***Significant under-utilization of certain assets could significantly reduce our profitability due to fixed costs incurred to obtain the right to use such assets.***

From time to time in connection with our business, we may lease or otherwise secure the right to use certain assets (such as railcars, trucks, barges, ships, pipeline capacity, storage capacity and other similar assets) with the expectation that the revenues we generate through the use of such assets will be greater than the fixed costs we incur pursuant to the applicable leases or other arrangements. However, when such assets are not utilized or are under-utilized, our profitability could be negatively impacted because the revenues we earn are either non-existent or reduced, but we remain obligated to continue paying any applicable fixed charges, in addition to the potential of incurring other costs attributable to the non-utilization of such assets (such as maintenance, storage or other costs). Significant under-utilization of assets we lease or otherwise secure the right to use in connection with our business could have a significant negative impact on our profitability and cash flows.

***Many of our assets have been in service for many years and require significant expenditures to maintain them. As a result, our maintenance or repair costs may increase in the future.***

Our pipelines, terminals, storage and processing and fractionation assets are generally long-lived assets, and many of them have been in service for many years. The age and condition of our assets could result in increased maintenance or repair expenditures in the future. Any significant increase in these expenditures could adversely affect our results of operations, financial position or cash flows, as well as our ability to make cash distributions to our unitholders.

***We do not own all of the land on which our pipelines and facilities are located, which could result in disruptions to our operations.***

We do not own all of the land on which our pipelines and facilities have been constructed, and therefore are potentially subject to more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or if such rights-of-way lapse or terminate. In some instances, we obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for a specific period of time. Following a decision issued in May 2017 by the Tenth Circuit Court of Appeals, tribal ownership of even a very small fractional interest in tribal land owned or at one time owned by an individual Indian landowner bars condemnation of any interest in the allotment. Consequently, the inability to condemn such allotted lands under circumstances where existing pipeline rights-of-way may soon lapse or terminate serves as an additional potential impediment for pipeline operations. Additionally, parts of our operations cross land that has historically been apportioned to various Native American/First Nations tribes, who may exercise significant jurisdiction and sovereignty over their lands. For more information, see our regulatory disclosure entitled “Indigenous Protections.” We cannot guarantee that we will always be able to renew existing rights-of-way or obtain new rights-of-way on favorable terms without experiencing significant delays and costs. Any loss of rights with respect to real property, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, and financial position.

***If we fail to obtain materials or commodities in the quantity and the quality we need, and at commercially acceptable prices, whether due to supply disruptions, inflation, tariffs, quotas or other factors, our results of operations, financial condition and cash flows could be materially and adversely affected.***

Our business requires access to steel and other materials to construct and maintain new and existing pipelines and facilities. If we experience a shortage in the supply of these materials or are unable to source sufficient quantities of high quality materials at acceptable prices and in a timely manner, it could materially and adversely affect our ability to construct new infrastructure and maintain our existing assets.

Our business also depends on having access to significant amounts of electricity and other commodities. If we are unable to obtain commodities sufficient to operate and maintain our assets, or only able to do so at commercially unreasonable prices, it could materially and adversely affect our business.

Supply chain disruptions and inflation of prices for commodities, materials, products and shipping may make it more challenging to obtain sufficient quantities of high quality materials at acceptable prices and in a timely manner. If we are unable to source such materials, it could materially and adversely affect our ability to construct new infrastructure and operate and maintain our existing assets.

In addition, some of the materials used in our business are imported. Existing and future import duties and quotas could materially increase our costs of procuring imported or domestic steel and/or create shortages or difficulties in procuring sufficient quantities of steel meeting our required technical specifications. A material increase in our costs of construction and maintenance or any significant delays in our ability to complete our infrastructure projects could have a material adverse effect on our financial position, results of operations and cash flows.

## **Risks Related to Laws and Regulations**

***Our operations are subject to laws and regulations relating to protection of the environment (people, property and natural resources), operational safety, climate change and related matters that may expose us to significant costs and liabilities. The current laws and regulations affecting our business are subject to change and in the future we may be subject to additional laws, executive orders and regulations, which could adversely impact our business.***

Our operations involving the storage, treatment, processing, and transportation of liquid hydrocarbons, including crude oil, NGL and refined products, are subject to stringent federal, state, and local laws and regulations governing the discharge of materials into the environment. Our operations are also subject to laws and regulations relating to protection of the environment, natural resources, operational safety, climate change and related matters. Compliance with these laws and regulations may increase our overall cost of doing business, including our capital costs to construct, maintain and upgrade equipment and facilities. Also, new or additional laws and regulations, new interpretations of existing requirements or changes in our operations could trigger new permitting requirements applicable to our operations, which could result in increased costs or delays of, or denial of rights to conduct, our development programs. The failure to comply with any such laws and regulations could result in the assessment of administrative, civil, and criminal penalties, the imposition of investigatory or remedial obligations or the incurrence of capital expenditures. Any such failure could also result in the imposition of restrictions, delays or cancellations in the permitting or performance of projects, or the issuance of injunctions that may subject us to additional operational requirements and constraints, or claims of damages to property or persons. The laws and regulations applicable to our operations are subject to change and interpretation by the relevant governmental agency, including the possibility that exemptions we currently qualify for may be modified or changed in ways that require us to incur significant additional compliance costs. Our business and operations may also become subject to new or additional laws or regulations. For example, President Biden has made the combat of climate change arising from GHG emissions a priority under his Administration and has issued, and may continue to issue, executive orders or other regulatory initiatives in pursuit of his regulatory agenda that could curtail oil and natural gas production and transportation. Potential examples include laws, rules, executive orders or regulations that limit fracturing of oil and natural gas wells, restrictions on flaring and venting during natural gas production on federal properties, limitations or bans on oil and gas leases on federal lands and offshore waters, increased requirements for construction and permitting of pipeline infrastructure and LNG export facilities, and further restrictions on GHG emissions from oil and gas facilities. Any new laws, executive orders or regulations, or changes to or interpretations of existing laws or regulations, adverse to us could have a material adverse effect on our operations, revenues, expenses and profitability.

We have a history of making incremental additions to the miles of pipelines we own, both through acquisitions and investment capital projects. We have also increased our terminal and storage capacity and operate several facilities on or near navigable waters and domestic water supplies. Although we have implemented programs intended to maintain the integrity of our assets (discussed below), as we increase the capacity of our existing assets or acquire additional assets we are at risk for an increase in the number and/or volume of releases of liquid hydrocarbons into the environment. These releases expose us to potentially substantial expense, including clean-up and remediation costs, fines and penalties, and third-party claims for personal injury or property damage related to past or future releases. Some of these expenses could increase by amounts disproportionately higher than the relative increase in pipeline mileage and the increase in revenues associated therewith. Our refined products terminal assets are also subject to significant compliance costs and liabilities. In addition, because of the increased volatility of refined products and their tendency to migrate farther and faster than crude oil when released, releases of refined products into the environment can have a more significant impact than crude oil and require significantly higher expenditures to respond and remediate. The incurrence of such expenses not covered by insurance, indemnity or reserves could materially adversely affect our results of operations.



We currently devote substantial resources to comply with DOT-mandated pipeline integrity rules. The DOT regulations include requirements for the establishment of pipeline integrity management programs and for protection of HCAs where a pipeline leak or rupture could produce significant adverse consequences. Pipeline safety regulations are revised frequently. For more information, please see our regulatory disclosure entitled “Pipeline Safety/Integrity Management.” The adoption of new regulations requiring more comprehensive or stringent safety standards could require us to install new or modified safety controls, pursue new capital projects, or conduct maintenance programs on an accelerated basis, all of which could require us to incur increased operational costs that could be significant.

Although we continue to focus on pipeline and facility integrity management as a primary operational emphasis, doing so requires substantial time and resources and cannot eliminate all risk of releases. We have an internal review process pursuant to which we examine various aspects of our pipeline and gathering systems that are not currently subject to the DOT pipeline integrity management mandate. The purpose of this process is to review the surrounding environment, condition and operating history of these pipeline and gathering assets to determine if such assets warrant additional investment or replacement. Accordingly, in addition to potential cost increases related to unanticipated regulatory changes or injunctive remedies resulting from regulatory agency enforcement actions, we may elect (as a result of our own internal initiatives) to spend substantial sums to enhance the integrity of and upgrade our pipeline systems to maintain environmental compliance and, in some cases, we may take pipelines out of service if we believe the cost of upgrades will exceed the value of the pipelines. We cannot provide any assurance as to the ultimate amount or timing of future pipeline integrity expenditures but any such expenditures could be significant. See “Environmental — General” in Note 19 to our Consolidated Financial Statements. In addition, despite our pipeline and facility integrity management efforts, we can provide no assurance that our pipelines and facilities will not experience leaks or releases or that we will be able to fully comply with all of the federal, state and local laws and regulations applicable to the operation of our pipelines or facilities; any such leaks or releases could be material and could have a significant adverse impact on our reputation, financial position, cash flows and ability to pay or increase distributions to our unitholders.

***Our assets are subject to federal, state and provincial regulation. Rate regulation or a successful challenge to the rates we charge on our U.S. and Canadian pipeline systems may reduce the amount of cash we generate.***

Our U.S. interstate common carrier liquids pipelines are subject to regulation by various federal regulatory agencies, including the FERC under the ICA. The ICA requires that tariff rates and terms and conditions of service for liquids pipelines be just and reasonable and not unduly discriminatory. We are also subject to the Pipeline Safety Regulations of the DOT. Our intrastate pipeline transportation activities are subject to various state laws and regulations as well as orders of state regulatory bodies.

For our U.S. interstate common carrier liquids pipelines subject to FERC regulation under the ICA, shippers may protest our pipeline tariff filings or file complaints against our existing rates or complaints alleging that we are engaging in discriminatory behavior. The FERC can also investigate on its own initiative. Under certain circumstances, the FERC could limit our ability to set rates based on our costs, or could order us to reduce our rates and could require the payment of reparations to complaining shippers for up to two years prior to the complaint.

In addition, we routinely monitor the public filings and proceedings of other parties with the FERC and other regulatory agencies in an effort to identify issues that could potentially impact our business. Under certain circumstances we may choose to intervene in such third-party proceedings in order to express our support for, or our opposition to, various issues raised by the parties to such proceedings. For example, if we believe that a petition filed with, or order issued by, the FERC is improper, overbroad or otherwise flawed, we may attempt to intervene in such proceedings for the purpose of protesting such petition or order and requesting appropriate action such as a clarification, rehearing or other remedy. Despite such efforts, we can provide no assurance that the FERC and other agencies that regulate our business will not issue future orders or declarations that increase our costs or otherwise adversely affect our operations.

Our Canadian pipelines are subject to regulation by the CER and by provincial authorities. Under the Canadian Energy Regulator Act, the CER could investigate the tariff rates or the terms and conditions of service relating to a jurisdictional pipeline on its own initiative upon the filing of a toll or tariff application, or upon the filing of a written complaint. If the CER found the rates or terms of service relating to such pipeline to be unjust or unreasonable or unjustly discriminatory, the CER could require us to change our rates, provide access to other shippers, or change our terms of service. A provincial authority could, on the application of a shipper or other interested party, investigate the tariff rates or our terms and conditions of service relating to our provincially-regulated proprietary pipelines. If it found our rates or terms of service to be contrary to statutory requirements, it could impose conditions it considers appropriate. A provincial authority could declare a pipeline to be a common carrier pipeline, and require us to change our rates, provide access to other shippers, or otherwise alter our terms of service. Any reduction in our tariff rates would result in lower revenue and cash flows.



***Some of our operations cross the U.S./Canada border and are subject to cross-border regulation.***

Our cross border activities subject us to regulatory matters, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Such regulations include the Short Supply Controls of the EAA, the USMCA and the TSCA. Violations of these licensing, tariff and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, Presidential Permits that allow cross-border movements of crude oil may be revoked or terminated at any time.

***Our purchases and sales of crude oil, natural gas and NGL, and hedging activities, expose us to potential regulatory risks.***

The FTC, the FERC and the CFTC hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical purchases and sales of crude oil, natural gas or NGL and any related hedging activities that we undertake, we are required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. Our purchases and sales may also be subject to certain reporting and other requirements. Additionally, to the extent that we enter into transportation contracts with pipelines that are subject to FERC regulation, we are subject to FERC requirements related to the use of such capacity. Any failure on our part to comply with the regulations and policies of the FERC, the FTC or the CFTC could result in the imposition of civil and criminal penalties. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

***The enactment and implementation of derivatives legislation could have an adverse impact on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business and increase the amount of working capital required to conduct these hedging activities.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), enacted on July 21, 2010, established federal oversight and regulation of derivative markets and entities, such as us, that participate in those markets. The Dodd-Frank Act requires the CFTC and the SEC to promulgate rules and regulations implementing the Dodd-Frank Act. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict when this will be accomplished.

The CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing, and the associated rules require us, in connection with covered derivative activities, to comply with clearing and trade-execution requirements or take steps to qualify for an exemption from such requirements. We do not utilize credit default swaps and we qualify for, and expect to continue to qualify for, the end-user exception from the mandatory clearing requirements for swaps entered into to hedge our interest rate risks. Should the CFTC designate commodity derivatives for mandatory clearing, we would expect to qualify for an end-user exception from the mandatory clearing requirements for swaps entered into to hedge our commodity price risk. However, the majority of our financial derivative transactions used for hedging commodity price risks are currently executed and cleared over exchanges that require the posting of margin or letters of credit based on initial and variation margin requirements. Pursuant to the Dodd Frank Act, however, the CFTC or federal banking regulators may require the posting of collateral with respect to uncleared interest rate and commodity derivative transactions.

Certain banking regulators and the CFTC have adopted final rules establishing minimum margin requirements for uncleared swaps. Although we qualify for the end-user exception from margin requirements for swaps entered into to hedge commercial risks, if any of our swaps do not qualify for the commercial end-user exception, or if we are otherwise required to post additional cash margin or collateral it could reduce our ability to execute hedges necessary to reduce commodity price exposures and protect cash flows. Posting of additional cash margin or collateral could affect our liquidity (defined as unrestricted cash on hand plus available capacity under our credit facilities) and reduce our ability to use cash for capital expenditures or other partnership purposes.

Even if we ourselves are not required to post additional cash margin or collateral for our derivative contracts, the banks and other derivatives dealers who are our contractual counterparties will be required to comply with other new requirements under the Dodd-Frank Act and related rules. The costs of such compliance may be passed on to customers such as ourselves, thus decreasing the benefits to us of hedging transactions or reducing our profitability. In addition, implementation of the Dodd-Frank Act and related rules and regulations could reduce the overall liquidity and depth of the markets for financial and other derivatives we utilize in connection with our business, which could expose us to additional risks or limit the opportunities we are able to capture by limiting the extent to which we are able to execute our hedging strategies.

Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and gas. Our financial results could be adversely affected if a consequence of the Dodd-Frank Act and implementing regulations is lower commodity prices.

The full impact of the Dodd-Frank Act and related regulatory requirements upon our business will not be known until the regulations are implemented and the market for derivatives contracts has adjusted. The Dodd-Frank Act and any new regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts. If we reduce our use of derivatives as a result of the Dodd-Frank Act and regulations implementing the Dodd-Frank Act, our results of operations may become more volatile and our cash flows may be less predictable. Any of these consequences could have a material adverse effect on us, our financial condition and our results of operations.

***Legislation, executive orders and regulatory initiatives relating to hydraulic fracturing or other hydrocarbon development activities could reduce domestic production of crude oil and natural gas.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons from unconventional geological formations. The process involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production, and it is typically regulated by state and provincial oil and gas commissions. Hydraulic fracturing continues to be a controversial practice, resulting in increased scrutiny and regulation of the hydraulic fracturing process, including by federal and state agencies and local municipalities. We do not perform hydraulic fracturing, but much of the production that flows on our assets was produced with the benefit of hydraulic fracturing. There have been a variety of legislative and regulatory proposals to prohibit, restrict, or more closely regulate various forms of hydraulic fracturing; for example, the Governor of California issued an order in April 2021 directing the Department of Conservation's Geologic Energy Management Division to initiate regulatory action to end the issuance of new permits for hydraulic fracturing by January 2024. Moreover, the Biden Administration has pursued policy initiatives that have resulted in temporary suspensions of new oil and gas leasing, more stringent emissions and operating regulations, and increased royalty rates for oil and gas operations on federal lands and waters. These actions, as well as any other legislation, executive orders or regulatory initiatives that curtail hydraulic fracturing or otherwise limit producers' ability to drill or complete wells could reduce the production of crude oil and natural gas in the United States or Canada, and could thereby result in reduced demand for our transportation, terminalling and storage services as well as our merchant activities.

***Our and our customers' operations are subject to various risks arising out of the threat of climate change, energy conservation measures, or initiatives that stimulate demand for alternative forms of energy that could result in increased costs, limits on the areas in which oil and natural gas production may occur and reduced demand for our services.***

Our and our customers' operations are subject to a number of risks arising out of the threat of climate change, energy conservation measures, or initiatives that stimulate demand for alternative forms of energy that could result in increased operating costs, limits on the areas in which oil and natural gas production may occur, and reduced demand for the crude oil and natural gas. Risks arising out of the threat of climate change, fuel conservation measures, governmental requirements for renewable energy resources, increasing consumer demand for alternative forms of energy, and technological advances in fuel economy and energy generation devices may create new competitive conditions that result in reduced demand for the crude oil and natural gas our customers produce and, in turn, the services we provide. The adoption and implementation of any international, federal, regional or state legislation, executive actions, regulations or other regulatory and policy initiatives that impose more stringent standards for GHG emissions from the oil and natural gas industry, restrict the areas in which this industry may produce crude oil and natural gas or generate GHG emissions, increase scrutiny of environmental permitting or delay such permitting reviews, or require enhanced disclosure of such GHG emission and other climate-related information, could result in increased compliance costs, which if passed on to the customer could also result in increased fossil fuel consumption costs, and thereby reduce demand for crude oil and natural gas, and thus our services. The potential impact of changing demand for crude oil and natural gas services and products may have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, political, financial and litigation risks may result in us restricting, delaying or canceling development activities and new projects, incurring liability for infrastructure damages as a result of climatic changes, or impairing the ability to continue to operate in an economic manner.

Litigation risks are also increasing as a number of cities, local governments and other plaintiffs have filed lawsuits against various oil and natural gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to climate change and its effects, such as rising sea levels, and therefore are responsible for roadway and infrastructure damages as a result, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts. Should Plains be targeted by any such litigation, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to causation or contribution to the asserted damage, or to other mitigating factors. Involvement in such a case could have adverse reputational impacts and an unfavorable ruling in any such case could adversely impact our operations and financial condition.

Climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events, as well as shifts in temperature and precipitation patterns have the potential to cause physical damage to our assets or disrupt our supply chains and thus could have an adverse effect on our operations. Additionally, changing meteorological conditions, particularly temperature, may result in changes to the amount, timing, or location of demand for energy or our customer's production, which could reduce the need for our services. While our consideration of changing climatic conditions and inclusion of safety factors in our design is intended to reduce the uncertainties that climate change and other events may potentially introduce, our ability to mitigate the adverse impacts of these events depends in part on the effectiveness of our facilities, particularly those located in coastal or flood prone areas, and our disaster preparedness and response and business continuity planning, which may not have considered or be prepared for every eventuality.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions and climate change would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business, demand for our services, financial condition, results of operations and cash flows.

***Laws and regulations pertaining to the protection of threatened and endangered species or to critical habitat, wetlands and natural resources could delay, restrict or prohibit our and our customers' operations and cause us or our customers to incur substantial costs that may have a material adverse effect on our results of operations.***

In the United States, the Endangered Species Act ("ESA") and comparable state laws were established to protect endangered and threatened species. Under the ESA, if a species is listed as threatened or endangered, restrictions may be imposed on activities that have the potential to adversely affect that species' habitat. Similar protections are given to migratory birds under the Migratory Bird Treaty Act, Canada's Species at Risk Act, and analogous provincial laws and regulations. Some of our operations are conducted in areas where protected species or their habitats are known to exist, and from time to time our development plans have been impacted in these areas. We may be obligated to develop and implement plans to avoid potential adverse effects to protected species and their habitats, and we may be delayed, restricted or prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when our operations could have an adverse effect on the species. Additionally, the designation of previously unprotected species or the re-designation of under-protected species as threatened or endangered in areas where we or our customers conduct operations could cause us to incur increased costs arising from species protection measures or could result in delays, restrictions or prohibitions on our customers' development and production activities that could have a material adverse effect on our results of operations.

## **Risks Inherent in an Investment in Us**

***Cost reimbursements due to our general partner may be substantial and will reduce our cash available for distribution to unitholders.***

Prior to making any distribution on our common units, we will reimburse our general partner and its affiliates, including officers and directors of the general partner, for all expenses incurred on our behalf. In addition, we are required to pay all direct and indirect expenses of the Plains Entities, other than income taxes of any of the PAGP Entities. The reimbursement of expenses and the payment of fees and expenses could adversely affect our ability to make distributions. The general partner has sole discretion to determine the amount of these expenses. In addition, our general partner and its affiliates may provide us with services for which we will be charged reasonable fees as determined by the general partner.

***Cash distributions are not guaranteed and may fluctuate with our performance and the establishment of financial reserves.***

Because distributions on our common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance. The actual amount of cash that is available to be distributed each quarter will depend on numerous factors, some of which are beyond our control and the control of the general partner. Cash distributions are dependent primarily on cash flow, levels of financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Our levels of financial reserves are established by our general partner and include reserves for the proper conduct of our business (including future capital expenditures and anticipated credit needs), compliance with legal or contractual obligations and funding of future distributions to our Series A and Series B preferred unitholders. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

***Our preferred units have rights, preferences and privileges that are not the same as, and are preferential to, the rights of holders of our common units.***

Our Series A preferred units and Series B preferred units (together, our “preferred units”) rank senior to all of our other classes or series of equity securities with respect to distribution rights and rights upon liquidation. These preferences could adversely affect the market price for our common units, or could make it more difficult for us to sell our common units in the future.

In addition, distributions on the preferred units accrue and are cumulative, at a fixed rate with respect to our Series A preferred units and at a floating rate with respect to our Series B preferred units. Our Series A preferred units are convertible into common units by the holders of such units or by us in certain circumstances. Our Series B preferred units are not convertible into common units, but are redeemable by us in certain circumstances. Our obligation to pay distributions on our preferred units, or on the common units issued following the conversion of our Series A preferred units, could impact our liquidity and reduce the amount of cash flow available for working capital, capital expenditures, growth opportunities, acquisitions, and other general partnership purposes. Our obligations to the holders of preferred units could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition.

***Unitholders may not be able to remove our general partner even if they wish to do so.***

Our general partner manages and operates the Partnership. If unitholders are dissatisfied with the performance of our general partner, they currently have little practical ability to remove our general partner. Our general partner may not be removed except upon the vote of the holders of at least  $66\frac{2}{3}\%$  of our outstanding units (including units held by our general partner or its affiliates). Because AAP owns approximately 31% of our outstanding Common Unit Equivalents and the owners of our general partner, along with directors and executive officers and their affiliates, own a significant percentage of our outstanding common units, the removal of our general partner would be difficult without the consent of both our general partner and its affiliates.

In addition, the following provisions of our partnership agreement may discourage a person or group from attempting to remove our general partner or otherwise change our management:

- generally, if a person acquires 20% or more of any class of units then outstanding other than from our general partner or its affiliates, the units owned by such person cannot be voted on any matter, except that such shares constituting up to 19.9% of the total shares outstanding may be voted in the election of PAGP GP directors;
- the PAGP GP Board is composed of three classes of directors, which limits our unitholders’ ability to make significant changes to the board in any given year; and
- limitations upon the ability of unitholders to call meetings or to acquire information about our operations, as well as other limitations upon the unitholders’ ability to influence the manner or direction of management.

As a result of these provisions, the price at which our common units will trade may be lower because of the absence or reduction of a takeover premium in the trading price.

***We may issue additional common units without unitholder approval, which would dilute a unitholder's existing ownership interests.***

Our general partner may cause us to issue an unlimited number of common units without unitholder approval (subject to applicable Nasdaq rules). We may also issue at any time an unlimited number of equity securities ranking junior or senior to the common units without unitholder approval (subject to applicable Nasdaq rules). The issuance of additional common units or other equity securities of equal or senior rank may have the following effects:

- an existing unitholder's proportionate ownership interest in the Partnership will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

In addition, our Series A preferred units are convertible into common units at any time by the holders of such units, or under certain circumstances, at our option. If a substantial portion of the Series A preferred units were converted into common units, common unitholders could experience significant dilution. In addition, if holders of such converted Series A preferred units were to dispose of a substantial portion of these common units in the public market, whether in a single transaction or series of transactions, it could adversely affect the market price for our common units. In addition, these sales, or the possibility that these sales may occur, could make it more difficult for us to sell our common units in the future.

***Our general partner has a limited call right that may require unitholders to sell their units at an undesirable time or price.***

If at any time our general partner and its affiliates own 80% or more of the common units, the general partner will have the right, but not the obligation, which it may assign to any of its affiliates, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price generally equal to the then current market price of the common units. As a result, unitholders may be required to sell their common units at a time when they may not desire to sell them and/or at a price that is less than the price they would like to receive. They may also incur a tax liability upon a sale of their common units.

***Unitholders may not have limited liability if a court finds that unitholder actions constitute control of our business and unitholders may have liability to repay distributions under certain circumstances.***

Under Delaware law, a unitholder could be held liable for our obligations to the same extent as a general partner if a court determined that the right of unitholders to remove our general partner or to take other action under our partnership agreement constituted participation in the "control" of our business.

Our general partner generally has unlimited liability for our obligations, such as our debts and environmental liabilities, except for those contractual obligations that are expressly made without recourse to our general partner. Our partnership agreement allows the general partner to incur obligations on our behalf that are expressly non-recourse to the general partner. The general partner has entered into such limited recourse obligations in most instances involving payment liability and intends to do so in the future.

Furthermore, under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount.

***Conflicts of interest could arise among our general partner and us or the unitholders.***

These conflicts may include the following:

- under our partnership agreement, we reimburse the general partner for the costs of managing and for operating the partnership;



- the amount of cash expenditures, borrowings and reserves in any quarter may affect available cash to pay quarterly distributions to unitholders;
- the general partner tries to avoid being liable for partnership obligations. The general partner is permitted to protect its assets in this manner by our partnership agreement. Under our partnership agreement the general partner would not breach its fiduciary duty by avoiding liability for partnership obligations even if we can obtain more favorable terms without limiting the general partner's liability; under our partnership agreement, the general partner may pay its affiliates for any services rendered on terms fair and reasonable to us. The general partner may also enter into additional contracts with any of its affiliates on behalf of us. Agreements or contracts between us and our general partner (and its affiliates) are not necessarily the result of arms length negotiations; and
- the general partner would not breach our partnership agreement by exercising its call rights to purchase limited partnership interests or by assigning its call rights to one of its affiliates or to us.

***The control of our general partner may be transferred to a third party without unitholder consent. A change of control may result in defaults under certain of our debt instruments and the triggering of payment obligations under compensation arrangements.***

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of the ultimate owners of our general partner to directly or indirectly transfer their ownership interest in our general partner to a third party. Any new owner of our general partner would, subject to obtaining any approvals or consents required under the applicable governing documents for the PAGP entities, be able to replace the board of directors and officers with its own choices and to control their decisions and actions.

In addition, a change of control would constitute an event of default under our revolving credit agreements. During the continuance of an event of default under our revolving credit agreements, the administrative agent may terminate any outstanding commitments of the lenders to extend credit to us under our revolving credit facility and/or declare all amounts payable by us under our revolving credit facility immediately due and payable. A change of control also may trigger payment obligations under various compensation arrangements with our officers.

#### **Risks Related to an Investment in Our Debt Securities**

***The right to receive payments on our outstanding debt securities is unsecured and will be effectively subordinated to our existing and future secured indebtedness and will be structurally subordinated as to any existing and future indebtedness and other obligations of our subsidiaries, other than subsidiaries that may guarantee our debt securities in the future.***

Our debt securities are effectively subordinated to claims of our secured creditors and to any existing and future indebtedness and other obligations of our subsidiaries, including trade payables, other than subsidiaries that may guarantee our debt securities in the future. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of a subsidiary, other than a subsidiary that may guarantee our debt securities in the future, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of our debt securities.

***Our leverage may limit our ability to borrow additional funds, comply with the terms of our indebtedness or capitalize on business opportunities.***

Our leverage is significant in relation to our partners' capital. At December 31, 2022, the face value of our total outstanding long-term debt was approximately \$7.3 billion, and the face value of our total outstanding short-term debt was approximately \$1.2 billion. We will be prohibited from making cash distributions during an event of default under any of our indebtedness. Various limitations in our credit facilities and other debt instruments may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

Our leverage could have important consequences to investors in our debt securities. We will require substantial cash flow to meet our principal and interest obligations with respect to our debt securities and our other consolidated indebtedness. Our ability to make scheduled payments, to refinance our obligations with respect to our indebtedness or our ability to obtain additional financing in the future will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. We believe that we will have sufficient cash flow from operations and available borrowings under our bank credit facilities to service our indebtedness, although the principal amount of our debt securities will likely need to be refinanced at maturity in whole or in part. A significant downturn in the hydrocarbon industry or other development adversely affecting our cash flow could materially impair our ability to service our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to refinance all or a portion of our debt or sell assets. We can give no assurance that we would be able to refinance our existing indebtedness or sell assets on terms that are commercially reasonable.

Our leverage may adversely affect our ability to fund future working capital, capital expenditures and other general partnership requirements, future acquisition, construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness. Our leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt.

***The ability to transfer our debt securities may be limited by the absence of an organized trading market.***

Our debt securities are not listed for trading on any securities exchange or stock market and we do not currently intend to apply for any such listing. The liquidity of any market for our debt securities will depend on the number of holders of those debt securities, the interest of securities dealers in making a market in those debt securities and other factors. Accordingly, we can give no assurance as to the development, continuation or liquidity of any market for the debt securities.

***We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets, which may restrict our ability to receive funds from such subsidiaries and make payments on our debt securities.***

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the ownership interests in our subsidiaries. As a result, our ability to make required payments on our debt securities depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, credit facilities and applicable state partnership laws and other laws and regulations. Pursuant to our credit facilities, we may be required to establish cash reserves for the future payment of principal and interest on the amounts outstanding under our credit facilities. If we are unable to obtain the funds necessary to pay the principal amount at maturity of our debt securities, or to repurchase our debt securities upon the occurrence of a change of control, we may be required to adopt one or more alternatives, such as a refinancing of our debt securities. We can give no assurance that we would be able to refinance our debt securities.

***We do not have the same flexibility as other types of organizations to accumulate cash, which may limit cash available to service our debt securities or to repay them at maturity.***

Unlike a corporation, our partnership agreement requires us to distribute, on a quarterly basis, 100% of our available cash to our unitholders of record. 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. Our available cash also includes cash on hand resulting from borrowings made after the end of the quarter. Our general partner will determine the amount and timing of such distributions and has broad discretion to establish and make additions to our reserves or the reserves of our operating partnerships in amounts the general partner determines in its reasonable discretion to be necessary or appropriate:

- to provide for the proper conduct of our business and the businesses of our operating partnerships (including reserves for future capital expenditures and for our anticipated future credit needs);
- to comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation;
- to provide funds to make payments on the preferred units; or
- to provide funds for distributions to our common unitholders for any one or more of the next four calendar quarters.

Although our payment obligations to our unitholders are subordinate to our payment obligations to debtholders, the value of our units may decrease in direct correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

#### **Tax Risks to Unitholders**

***Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes and not being subject to a material amount of entity-level taxation. If the IRS were to treat us as a corporation for U.S. federal income tax purposes, or we become subject to entity-level taxation for state or foreign tax purposes, our cash available for distributions to our unitholders would be substantially reduced.***

The anticipated after-tax economic benefit of an investment in our units depends largely on our being treated as a partnership for U.S. federal income tax purposes. A publicly traded partnership such as us may be treated as a corporation for U.S. federal income tax purposes unless it satisfies a “qualifying income” requirement, as defined in Section 7704 of the Internal Revenue Code of 1986, as amended. Based upon our current operations and current Treasury Regulations, we believe we satisfy the qualifying income requirement. However, no ruling has been or will be requested regarding our treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate, and would likely pay state income taxes at varying rates. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, the cash available for distributions to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our units.

In addition, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are subject to entity-level tax on the portion of our income apportioned to Texas. Imposition of any similar taxes or additional federal or foreign taxes on us will reduce the cash available for distribution to our unitholders.

***The tax treatment of publicly traded partnerships or an investment in our units could be subject to potential legislative, judicial or administrative changes or differing interpretations, possibly applied on a retroactive basis.***

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our units may be modified by administrative, legislative or judicial changes or differing interpretations at any time. Members of Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect publicly traded partnerships, including proposals that would eliminate our ability to qualify for partnership tax treatment.

In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to U.S. federal income tax laws or the Treasury Department's interpretation of the qualifying income rules in a manner that could impact our ability to qualify as a partnership in the future.

Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any changes or other proposals will ultimately be enacted. Any future legislative changes could negatively impact the value of an investment in our units. You are urged to consult with your own tax advisor with respect to the status of regulatory or administrative developments and proposals and their potential effect on your investment in our units.

***Non-U.S. unitholders will be subject to U.S. taxes and withholding with respect to their income and gain from owning our units.***

Non-U.S. unitholders are generally taxed and subject to income tax filing requirements by the United States on income effectively connected with a U.S. trade or business ("effectively connected income"). Income allocated to our unitholders and any gain from the sale of our units will generally be considered to be "effectively connected" with a U.S. trade or business. As a result, distributions to a Non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a Non-U.S. unitholder who sells or otherwise disposes of a unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the Non-U.S. unitholder. In addition to the withholding tax imposed on distributions of effectively connected income, distributions to a non-U.S. unitholder will also be subject to a 10% withholding tax on the amount of any distribution in excess of our cumulative net income. As we do not compute our cumulative net income for such purposes due to the complexity of the calculation and lack of clarity in how it would apply to us, we intend to treat all of our distributions as being in excess of our cumulative net income for such purposes and subject to such 10% withholding tax. Accordingly, distributions to a non-U.S. unitholder will be subject to a combined withholding tax rate equal to the sum of the highest applicable effective tax rate and 10%.

Moreover, the transferee of an interest in a partnership that is engaged in a U.S. trade or business is generally required to withhold 10% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person. While the determination of a partner's "amount realized" generally includes any decrease of a partner's share of the partnership's liabilities, the Treasury regulations provide that the "amount realized" on a transfer of an interest in a publicly traded partnership will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and thus will be determined without regard to any decrease in that partner's share of a publicly traded partnership's liabilities. For a transfer of interest in a publicly traded partnership that is effected through a broker on or after January 1, 2023, the obligation to withhold is imposed on the transferor's broker. Prospective foreign unitholders should consult their tax advisors regarding the impact of these rules on an investment in our units.

**Tax Risks to Common Unitholders**

***If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.***

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us. To the extent possible under these rules, our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS or, if we are eligible, issue a revised information statement to each unitholder and former unitholder with respect to an audited and adjusted return. Although our general partner may elect to have our unitholders and former unitholders take such audit adjustment into account and pay any resulting taxes (including applicable penalties or interest) in accordance with their interests in us during the tax year under audit, there can be no assurance that such election will be practical, permissible or effective in all circumstances. As a result, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders might be substantially reduced. These rules are not applicable for tax years beginning on or prior to December 31, 2017.

***If the IRS or CRA contests the federal income tax positions or inter-country allocations we take, the market for our common units may be adversely impacted and the cost of any IRS or CRA contest or incremental taxes paid will reduce our cash available for distribution or debt service.***

The IRS has made no determination as to our status as a partnership for U.S. federal income tax purposes or as to any other matter affecting us. The IRS or CRA may adopt positions that differ from the positions we take or challenge the inter-country allocations we make. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS or CRA may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS or CRA and any incremental taxes required to be paid will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution or debt service. See Note 15 for additional information regarding CRA challenge of intercompany transactions.

***Our unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.***

Because our unitholders will be treated as partners to whom we will allocate taxable income that could be different in amount than the cash we distribute, they will be required to pay any U.S. federal income taxes and, in some cases, state and local income taxes on their share of our taxable income even if they receive no cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

***Taxable gain or loss on the disposition of our common units could be more or less than expected.***

If a unitholder sells common units, the unitholder will recognize gain or loss equal to the difference between the amount realized and that unitholder's tax basis in those common units. Because distributions in excess of a unitholder's allocable share of our net taxable income decrease such unitholder's tax basis in its common units, the amount, if any, of such prior excess distributions with respect to the units a unitholder sells will, in effect, become taxable income to a unitholder if it sells such units at a price greater than its tax basis in those units, even if the price such unitholder receives is less than its original cost. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if a unitholder sells its units, a unitholder may incur a tax liability in excess of the amount of cash received from the sale.

A substantial portion of the amount realized from a unitholder's sale of our units, whether or not representing gain, may be taxed as ordinary income to such unitholder due to potential recapture items, including depreciation recapture. Thus, a unitholder may recognize both ordinary income and capital loss from the sale of units if the amount realized on a sale of such units is less than such unitholder's adjusted basis in the units. Net capital loss may only offset capital gains and, in the case of individuals, up to \$3,000 of ordinary income per year. In the taxable period in which a unitholder sells its units, such unitholder may recognize ordinary income from our allocations of income and gain to such unitholder prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of units.

***Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.***

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, for taxable years beginning after December 31, 2017, our deduction for "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income.

If our "business interest" is subject to limitation under these rules, our unitholders will be limited in their ability to deduct their share of any interest expense that has been allocated to them. As a result, unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.



***Tax-exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them.***

Investment in our common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs) raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Tax-exempt entities should consult a tax advisor before investing in our common units.

***We treat each purchaser of our common units as having the same tax benefits without regard to the common units actually purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

Because we cannot match transferors and transferees of common units, we have adopted certain methods for allocating depreciation and amortization deductions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to the use of these methods could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns.

***Our unitholders will likely be subject to state, local and non-U.S. taxes and return filing requirements in states and jurisdictions where they do not live as a result of investing in our units.***

In addition to U.S. federal income taxes, our unitholders will likely be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if our unitholders do not live in any of those jurisdictions. Our unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We currently own property and conduct business in multiple states that currently impose a personal income tax on individuals and an income tax on corporations and other entities. It is our unitholders' responsibility to file all U.S. federal, state, local and non-U.S. tax returns, as applicable. Unitholders should consult with their own tax advisors regarding the filing of such tax returns, the payment of such taxes, and the deductibility of any taxes paid.

***We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, which could adversely affect the value of our common units.***

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our respective assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our respective assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the amount, character, and timing of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

***A unitholder whose common units are the subject of a securities loan (e.g., a loan to a "short seller" to cover a short sale of common units) may be considered to have disposed of those common units. If so, such unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.***

Because there are no specific rules governing the U.S. federal income tax consequences of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units may be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

***We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.***

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month (the “Allocation Date”), instead of on the basis of the date a particular unit is transferred. Similarly, we generally allocate certain deductions for (i) depreciation and amortization of capital additions, (ii) gain or loss realized on a sale or other disposition of our assets, and (iii) in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction based upon ownership on the Allocation Date. Treasury Regulations allow a similar monthly simplifying convention, but such regulations do not specifically authorize all aspects of our proration method. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

***Taxable income from our non-U.S. businesses is not eligible for the 20% deduction for qualified publicly traded partnership income.***

For taxable years beginning after December 31, 2017 and ending on or before December 31, 2025, an individual unitholder is generally allowed a deduction equal to 20% of our “qualified publicly traded partnership income” that is allocated to such unitholder. For purposes of the deduction, the term qualified publicly traded partnership income includes the net amount of such unitholder’s allocable share of our income that is effectively connected to our U.S. trade or business activities. Because our non-U.S. business operations earn income that is not effectively connected with a U.S. trade or business, unitholders may not apply the 20% deduction for qualified publicly traded partnership income to that portion of our income.

#### **Tax Risks to Series B Preferred Unitholders**

***Treatment of income attributable to distributions on our Series B Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of our Series B Preferred Units than the holders of our common units and such income is not eligible for the 20% deduction for qualified publicly traded partnership income.***

The tax treatment of distributions on our Series B Preferred Units is uncertain. We will treat the holders of Series B Preferred Units as partners for tax purposes and will treat distributions on the Series B Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of Series B Preferred Units as ordinary income. A holder of our Series B Preferred Units could recognize taxable income from the accrual of such income even in the absence of a contemporaneous cash distribution. We anticipate accruing and making quarterly guaranteed payment distributions on February 15th, May 15th, August 15th and November 15th of each year. Because the guaranteed payment for each unit must accrue as income to a holder during the taxable year of the accrual, the guaranteed payment attributable to the period beginning November 15th and ending December 31st will accrue to the holder of record of a Series B Preferred Unit on December 31st for such period. If you are a taxpayer reporting your income using the accrual method, or using a taxable year other than the calendar year, you should consult your tax advisor with respect to the consequences of our guaranteed payment distribution accrual and reporting convention. Otherwise, the holders of Series B Preferred Units are generally not anticipated to share in the partnership’s items of income, gain, loss or deduction, except to the extent necessary to (i) achieve parity with the Series A Preferred Units or (ii) provide, to the extent possible, the Series B Preferred Units with the benefit of the liquidation preference. The Partnership will not allocate any share of our nonrecourse liabilities to the holders of Series B Preferred Units. If the Series B Preferred Units were treated as indebtedness for tax purposes, rather than as guaranteed payments for the use of capital, distributions likely would be treated as payments of interest by us to the holders of Series B Preferred Units.

Although we expect that a substantial portion of the income we earn will be eligible for the 20% deduction for qualified publicly traded partnership income, Treasury Regulations provide that income attributable to a guaranteed payment for the use of capital is not eligible for the 20% deduction for qualified business income. As a result, income attributable to a guaranteed payment for use of capital recognized by holders of our Series B Preferred Units is not eligible for the 20% deduction for qualified business income.

A holder of Series B Preferred Units will be required to recognize gain or loss on a sale of Series B Units equal to the difference between the amount realized by such holder and such holder's tax basis in the Series B Preferred Units. The amount realized generally will equal the sum of the cash and the fair market value of other property such holder receives in exchange for such Series B Preferred Units. Subject to general rules requiring a blended basis among multiple partnership interests, the tax basis of a Series B Preferred Unit will generally be equal to the sum of the cash and the fair market value of other property paid by the holder to acquire such Series B Preferred Unit. Gain or loss recognized by a holder on the sale or exchange of a Series B Preferred Unit held for more than one year generally will be taxable as long-term capital gain or loss. Because holders of Series B Preferred Units will generally not be allocated a share of our items of depreciation, depletion or amortization, it is not anticipated that such holders would be required to recharacterize any portion of their gain as ordinary income as a result of the recapture rules.

Investment in the Series B Preferred Units by tax-exempt investors, such as employee benefit plans and individual retirement accounts, and non-U.S. persons raises issues unique to them. The treatment of guaranteed payments for the use of capital to tax-exempt investors is not certain and such payments may be treated as unrelated business taxable income for U.S. federal income tax purposes. Although the issue is not free from doubt, we will treat a substantial portion of our distributions to non-U.S. holders of the Series B Preferred Units as "effectively connected income" (which will subject holders to U.S. net income taxation and possibly the branch profits tax) that is subject to withholding taxes imposed at the highest effective tax rate applicable to such non-U.S. holders. If the amount of withholding exceeds the amount of U.S. federal income tax actually due, non-U.S. holders may be required to file U.S. federal income tax returns in order to seek a refund of such excess.

All holders of our Series B Preferred Units are urged to consult a tax advisor with respect to the consequences of owning our Series B Preferred Units.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 3. *Legal Proceedings***

The information required by this item is included in Note 19 to our Consolidated Financial Statements, and is incorporated herein by reference thereto.

**Item 4. *Mine Safety Disclosures***

Not applicable.