

PAA NATURAL GAS STORAGE LP
Form 8-K
August 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **August 3, 2011**

PAA Natural Gas Storage, L.P.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation)

1-34722
(Commission File Number)

27-1679071
(IRS Employer Identification No.)

333 Clay Street, Suite 1500, Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(713) 646-4100**

Edgar Filing: PAA NATURAL GAS STORAGE LP - Form 8-K

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 9.01. Financial Statements and Exhibits

(d) Exhibit 99.1 Press Release dated August 3, 2011.

Item 2.02 and Item 7.01. Results of Operations and Financial Condition; Regulation FD Disclosure

PAA Natural Gas Storage, L.P. (the Partnership) today issued a press release reporting its second quarter 2011 results. We are furnishing the press release, attached as Exhibit 99.1, pursuant to Item 2.02 and Item 7.01 of Form 8-K. Pursuant to Item 7.01, we are providing updated detailed guidance for financial performance for the third and fourth quarters of calendar 2011. In accordance with General Instruction B.2. of Form 8-K, the information presented herein under Item 2.02 and Item 7.01 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), nor shall it be deemed incorporated by reference in any filing under the Exchange Act or Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

Disclosure of Third Quarter and Fourth Quarter 2011 Guidance

Adjusted EBITDA (as defined below in Note 1 to the Operating and Financial Guidance table) is a financial measure used by our chief operating decision maker to evaluate our performance. In Note 9 below, we reconcile Adjusted EBITDA to net income for the 2011 guidance periods presented. We encourage you to visit our website at www.pnglp.com (in particular the section entitled Non-GAAP Reconciliations), which presents a historical reconciliation of Adjusted EBITDA and certain commonly used non-GAAP financial measures. We present Adjusted EBITDA because it is a measure used by management to evaluate performance and because we believe it provides additional information with respect to both the performance of our fundamental business activities and our ability to meet our future debt service, capital expenditures and working capital requirements. We believe that Adjusted EBITDA is used to assess our operating performance compared to other publicly traded partnerships in the midstream energy industry, without regard to financing methods, capital structure or historical cost basis. In addition, we have highlighted the impact of (i) equity compensation expense, (ii) insurance deductible related to property damage incident, (iii) acquisition-related expenses and (iv) mark-to-market of open derivative positions as such items affect EBITDA, Net Income and Net Income per Basic and Diluted Limited Partner Unit.

The following guidance for the three-month period ending September 30, 2011 and the three-month and twelve-month periods ending December 31, 2011 includes the anticipated impact of the timing of repairs to the damage sustained to certain treating equipment at our Bluewater facility on January 12, 2011, as well as other assumptions and estimates that we believe are reasonable given our assessment of historical trends (modified for changes in market conditions), business cycles and other reasonably available information. Projections contemplate inter-period changes in future performance resulting from a variety of factors we believe to be relevant, including new expansion projects, changes in our portfolio of storage and services contracts, the seasonal and dynamic nature of our business, and other market and competitive factors influencing the demand for storage services. Our projections do not include forecasts with respect to potential gains or losses on derivative financial instruments as we do not believe that there is an accurate way to forecast such activity. Our assumptions and future performance, however, are both subject to a wide range of business risks and uncertainties, so we can provide no assurance that actual performance will fall within the guidance ranges. Please refer to information under the caption Forward-Looking Statements and Associated Risks below. These risks and uncertainties, as well as other unforeseeable risks and uncertainties, could cause our actual results to differ materially from those in the following table. The operating and financial guidance provided below is given as of the date hereof, based on information known to us as of August 2, 2011. We undertake no obligation to publicly update or revise any forward-looking statements.

PAA Natural Gas Storage, L.P.

Operating and Financial Guidance

(in millions, except per unit data)

	Actual 6 Months Ended 6/30/11	3 Months Ending September 30, 2011		Guidance (1) 3 Months Ending December 31, 2011		12 Months Ending December 31, 2011	
		Low	High	Low	High	Low	High
Net Revenues							
Firm storage services	\$ 64.5	\$ 35.7	\$ 36.1	\$ 36.1	\$ 36.3	\$ 136.3	\$ 136.9
Hub services	4.6	0.3	1.2	2.0	2.3	6.9	8.1
Proprietary capacity margins, net	1.3			3.0	3.3	4.3	4.6
Other	1.5	0.7	1.4	1.5	1.7	3.7	4.6
Total net revenues	72.1	36.7	38.7	42.6	43.6	151.4	154.4
Storage related costs	(10.1)	(3.6)	(3.2)	(3.9)	(3.7)	(17.6)	(17.0)
Other operating costs (except those shown below)	(6.0)	(3.6)	(3.2)	(3.2)	(3.0)	(12.8)	(12.2)
Fuel expense	(2.2)	(1.5)	(0.8)	(1.5)	(1.2)	(5.2)	(4.2)
General and administrative expenses	(13.8)	(5.1)	(4.6)	(5.0)	(4.7)	(23.9)	(23.1)
Depreciation, depletion and amortization	(15.4)	(9.2)	(8.8)	(9.2)	(8.8)	(33.8)	(33.0)
Total costs and expenses	(47.6)	(23.0)	(20.6)	(22.8)	(21.4)	(93.4)	(89.6)
Operating income	24.5	13.7	18.1	19.8	22.2	58.0	64.8
Interest expense, net of capitalized interest	(2.3)	(2.2)	(1.9)	(2.4)	(2.1)	(6.9)	(6.3)
Other income (expense), net	0.0					0.0	0.0
Net income	\$ 22.2	\$ 11.5	\$ 16.2	\$ 17.4	\$ 20.1	\$ 51.1	\$ 58.5
Net income available to limited partners	\$ 21.6	\$ 11.2	\$ 15.8	\$ 16.4	\$ 19.0	\$ 49.2	\$ 56.5
Net Income Per Limited Partner Unit (basic and diluted) (2,3)							
Weighted Average Units Outstanding	65.3	71.1	71.1	71.1	71.1	69.7	69.7
Net income Per Limited Partner Unit	\$ 0.33	\$ 0.16	\$ 0.22	\$ 0.23	\$ 0.27	\$ 0.71	\$ 0.81
EBITDA	\$ 39.9	\$ 22.9					