

Summit Midstream Partners, LP
Form 10-Q
August 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from to
Commission file number: 001-35666

Summit Midstream Partners, LP

(Exact name of registrant as specified in its charter)

Delaware 45-5200503
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1790 Hughes Landing Blvd, Suite 500 77380
The Woodlands, TX (Zip Code)
(Address of principal executive offices)

(832) 413-4770
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large
accelerated
Accelerated filer
filer

Smaller reporting company
filer

(Do
not
check

if
a
smaller
reporting
company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	As of July 31, 2016
Common Units	66,588,168 units
General Partner Units	1,354,700 units

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Glossary of Terms

adjusted EBITDA: EBITDA plus our proportional adjusted EBITDA for equity method investees, adjustments related to MVC shortfall payments, deferred purchase price obligation expense, impairments and other noncash expenses or losses, less income (loss) from equity method investees and other noncash income or gains

AMI: area of mutual interest; AMIs require that any production from wells drilled by our customers within the AMI be shipped on our gathering systems and/or processed by our processing facilities

associated natural gas: a form of natural gas which is found with deposits of petroleum, either dissolved in the oil or as a free gas cap above the oil in the reservoir

Bbl: one barrel; used for crude oil and produced water and equivalent to 42 U.S. gallons

Bcf: one billion cubic feet

condensate: a natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions

conventional resource basin: a basin where natural gas or crude oil production is developed from a well drilled into a geologic formation in which the reservoir and fluid characteristics permit the crude oil and natural gas to readily flow to the wellbore; also referred to as a conventional resource play

delivery point: the point where hydrocarbons or produced water are delivered into a gathering system, processing or fractionation facility or downstream transportation pipeline

distributable cash flow: adjusted EBITDA plus cash interest received and cash taxes received, less cash interest paid, senior notes interest adjustment, cash taxes paid and maintenance capital expenditures

dry gas: natural gas primarily composed of methane where heavy hydrocarbons and water either do not exist or have been removed through processing or treating

EBITDA: net income or loss, plus interest expense, income tax expense and depreciation and amortization, less interest income and income tax benefit

end users: the ultimate users and consumers of transported energy products

hub: geographic location of a storage facility and multiple pipeline interconnections

LACT unit: lease automatic custody transfer unit; a system for ownership transfer of hydrocarbons or produced water from the production site to trucks, pipelines or storage tanks

Mbbl: one thousand barrels

Mbbl/d: one thousand barrels per day

Mcf: one thousand cubic feet

Mcfe: the equivalent of one thousand cubic feet; generally calculated when liquids are converted into gas; determined using a ratio of six Mcf of natural gas to one barrel of crude oil

MMBtu: one million British Thermal Units

MMcf: one million cubic feet

MMcf/d: one million cubic feet per day

MQD: minimum quarterly distribution; SMLP's partnership agreement has established a minimum quarterly distribution of \$0.40 per unit per quarter, or \$1.60 per unit per year

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MVC: minimum volume commitment; an MVC contractually obligates a customer to ship natural gas, crude oil and/or produced water and/or use processing services for a minimum quantity of volume throughput

NGLs: natural gas liquids; the combination of ethane, propane, normal butane, iso-butane and natural gasolines that, when removed from unprocessed natural gas streams, become liquid under various levels of higher pressure and lower temperature

play: a proven geological formation that contains commercial amounts of hydrocarbons

produced water: water from underground geologic formations that is brought to the surface during the crude oil production process

receipt point: the point where hydrocarbons or produced water are received by or into a gathering system or transportation pipeline

residue gas: the natural gas remaining after being processed and/or treated

segment adjusted EBITDA: calculated as total revenues less total costs and expenses; plus (i) other income excluding interest income, (ii) our proportional adjusted EBITDA for equity method investees, (iii) depreciation and amortization, (iv) adjustments related to MVC shortfall payments, (v) impairments and (vi) other noncash expenses or losses, less other noncash income or gains.

shortfall payment: the payment received from a counterparty when its volume throughput does not meet or exceed its MVC for the applicable period

tailgate: refers to the point at which processed residue natural gas and NGLs leave a processing facility for end-use markets

Tcf: one trillion cubic feet

throughput volume: the volume of natural gas, crude oil or produced water transported or passing through a pipeline, plant or other facility during a particular period; also referred to as volume throughput

unconventional resource basin: a basin where natural gas or crude oil production is developed from unconventional sources that require hydraulic fracturing as part of the completion process, for instance, natural gas produced from shale formations and coalbeds; also referred to as an unconventional resource play

wellhead: the equipment at the surface of a well used to control the well's pressure; also, the point at which the hydrocarbons and water exit the ground

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016	December 31, 2015
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$6,743	\$21,793
Accounts receivable	48,305	89,581
Other current assets	2,138	3,573
Total current assets	57,186	114,947
Property, plant and equipment, net	1,846,147	1,812,783
Intangible assets, net	441,961	461,310
Investment in equity method investees	711,021	751,168
Goodwill	16,211	16,211
Other noncurrent assets	8,748	8,253
Total assets	\$3,081,274	\$3,164,672
Liabilities and Partners' Capital		
Current liabilities:		
Trade accounts payable	\$21,597	\$40,808
Due to affiliate	183	1,149
Deferred revenue	—	677
Ad valorem taxes payable	7,658	10,271
Accrued interest	17,483	17,483
Accrued environmental remediation	8,026	7,900
Other current liabilities	13,781	13,297
Total current liabilities	68,728	91,585
Long-term debt	1,312,539	1,267,270
Deferred purchase price obligation	532,355	—
Deferred revenue	48,196	45,486
Noncurrent accrued environmental remediation	3,886	5,764
Other noncurrent liabilities	8,031	7,268
Total liabilities	1,973,735	1,417,373
Commitments and contingencies (Note 15)		
Common limited partner capital (66,588 units issued and outstanding at June 30, 2016 and 42,063 units issued and outstanding at December 31, 2015)	1,068,680	744,977
Subordinated limited partner capital (0 units issued and outstanding at June 30, 2016 and 24,410 units issued and outstanding at December 31, 2015)	—	213,631
General partner interests (1,355 units issued and outstanding at June 30, 2016 and December 31, 2015)	27,822	25,634
Noncontrolling interest	11,037	—
Summit Investments' equity in contributed subsidiaries	—	763,057
Total partners' capital	1,107,539	1,747,299
Total liabilities and partners' capital	\$3,081,274	\$3,164,672

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per-unit amounts)			
Revenues:				
Gathering services and related fees	\$76,187	\$69,754	\$154,287	\$138,194
Natural gas, NGLs and condensate sales	8,581	11,967	16,169	24,580
Other revenues	4,867	5,133	9,750	10,167
Total revenues	89,635	86,854	180,206	172,941
Costs and expenses:				
Cost of natural gas and NGLs	6,864	8,574	13,154	18,015
Operation and maintenance	23,410	23,595	49,252	46,385
General and administrative	12,876	11,632	25,755	23,231