Summit Midstream Partners, LP
Form 10-Q
May 04, 2018

0001549922 false --12-31 Large Accelerated Filer Q1 SMLP 0 P3Y P9M P1Y P1Y P1Y P1Y P21Y 0.00 0.00 0 0001549922 2018-01-01 2018-03-31 xbrli:shares 0001549922 smlp:CommonUnitsMember 2018-04-30 0001549922 smlp:GeneralPartnerUnitsMember 2018-04-30 iso4217:USD 0001549922 2018-03-31 0001549922 2017-12-31 0001549922 2017-01-01 2017-03-31 0001549922 smlp:SeriesAPreferredUnitsMember 2018-01-01 2018-03-31 0001549922 smlp:SeriesAPreferredUnitsMember 2017-01-01 2017-03-31 0001549922 smlp:CommonUnitsMember 2018-01-01 2018-03-31 0001549922 smlp:CommonUnitsMember 2017-01-01 2017-03-31 iso4217:USD xbrli:shares 0001549922 smlp:LimitedPartnerCommonMember 2016-12-31 0001549922 us-gaap:GeneralPartnerMember 2016-12-31 0001549922 us-gaap:NoncontrollingInterestMember 2016-12-31 0001549922 2016-12-31 0001549922 smlp:LimitedPartnerCommonMember 2017-01-01 2017-03-31 0001549922 us-gaap:GeneralPartnerMember 2017-01-01 2017-03-31 0001549922 us-gaap:NoncontrollingInterestMember 2017-01-01 2017-03-31 0001549922 smlp:LimitedPartnerCommonMember 2017-03-31 0001549922 us-gaap:GeneralPartnerMember 2017-03-31 0001549922 us-gaap:NoncontrollingInterestMember 2017-03-31 0001549922 2017-03-31 0001549922 smlp:LimitedPartnerSeriesAPreferredUnitsMember 2017-12-31 0001549922 smlp:LimitedPartnerCommonMember 2017-12-31 0001549922 us-gaap:GeneralPartnerMember 2017-12-31 0001549922 us-gaap:NoncontrollingInterestMember 2017-12-31 0001549922 smlp:LimitedPartnerSeriesAPreferredUnitsMember us-gaap:RestatementAdjustmentMember 2017-12-31 0001549922 smlp:LimitedPartnerCommonMember us-gaap:RestatementAdjustmentMember 2017-12-31 0001549922 us-gaap:GeneralPartnerMember us-gaap:RestatementAdjustmentMember 2017-12-31 0001549922 us-gaap:NoncontrollingInterestMember us-gaap:RestatementAdjustmentMember 2017-12-31 0001549922 us-gaap:RestatementAdjustmentMember 2017-12-31 0001549922 smlp:LimitedPartnerSeriesAPreferredUnitsMember 2018-01-01 2018-03-31 0001549922 smlp:LimitedPartnerCommonMember 2018-01-01 2018-03-31 0001549922 us-gaap:GeneralPartnerMember 2018-01-01 2018-03-31 0001549922 us-gaap:NoncontrollingInterestMember 2018-01-01 2018-03-31 0001549922 smlp:LimitedPartnerSeriesAPreferredUnitsMember 2018-03-31 0001549922 smlp:LimitedPartnerCommonMember 2018-03-31 0001549922 us-gaap:GeneralPartnerMember 2018-03-31 0001549922 us-gaap:NoncontrollingInterestMember 2018-03-31 0001549922 smlp:CommonUnitsMember smlp:SummitMidstreamPartnersHoldingsLLCMember 2018-03-31 xbrli:pure 0001549922 smlp:SummitInvestmentsMember us-gaap:GeneralPartnerMember smlp:SummitMidstreamPartnersLPMember 2018-01-01 2018-03-31 0001549922 smlp:CommonUnitsMember smlp:EnergyCapitalPartnersMember 2018-03-31 0001549922 smlp:ContributedEntitiesMember smlp:SummitMidstreamPartnersHoldingsLLCMember 2016-02-01 2016-02-29 0001549922 smlp:OhioGatheringCompanyLLCMember smlp:SummitMidstreamPartnersHoldingsLLCMember 2016-02-29 0001549922 smlp:SubsidiaryOfSummitInvestmentsMember 2016-06-30 0001549922 smlp:SummitMidstreamNiobraraLLCMember smlp:SummitMidstreamPartnersLPMember 2017-12-31 0001549922 smlp:SummitMidstreamNiobraraLLCMember smlp:SummitMidstreamPartnersLPMember 2017-12-01 2017-12-31 0001549922 smlp:GrandRiverGatheringLLCMember 2017-12-31 0001549922 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-01-01 2018-03-31 0001549922 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2017-12-31 0001549922 us-gaap:AccountingStandardsUpdate201409Member us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 0001549922 2018-01-01 0001549922 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-03-31 0001549922 us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member us-gaap:AccountingStandardsUpdate201409Member 2018-03-31 0001549922 us-gaap:AccountingStandardsUpdate201409Member us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 2018-03-31 0001549922 us-gaap:MaximumMember 2018-01-01 2018-03-31 0001549922 2018-04-01 2018-01-01 2018-03-31 0001549922 2019-01-01 2018-01-01 2018-03-31 0001549922 2020-01-01 2018-01-01 2018-03-31 0001549922 2021-01-01 2018-01-01 2018-03-31 0001549922 2022-01-01 2018-01-01 2018-03-31 0001549922 2023-01-01 2018-01-01 2018-03-31 0001549922 smlp:GatheringServicesandRelatedFeesMember 2018-04-01 2018-03-31

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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 March 31, 2018

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	
The Woodlands, TX	77380
(Address of principal executive offices)	(Zip Code)

(832) 413-4770

(Registrant’s telephone number, including area code)

Not applicable

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

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 30, 2018
Common Units	73,355,775 units
General Partner Units	1,490,999 units

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COMMONLY USED OR DEFINED TERMS

2016 Drop Down	the Partnership's March 3, 2016 acquisition of substantially all of (i) the issued and outstanding membership interests in Summit Utica, Meadowlark Midstream and Tioga Midstream and (ii) SMP Holdings' 40% ownership interest in Ohio Gathering from SMP Holdings
5.5% Senior Notes	Summit Holdings' and Finance Corp.'s 5.5% senior unsecured notes due August 2022
7.5% Senior Notes	Summit Holdings' and Finance Corp.'s 7.5% senior unsecured notes redeemed in March 2017
5.75% Senior Notes	Summit Holdings' and Finance Corp.'s 5.75% senior unsecured notes due April 2025
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
ASU	Accounting Standards Update
Bbl	one barrel; used for crude oil and produced water and equivalent to 42 U.S. gallons
Bcf	one billion cubic feet
Bison Midstream	Bison Midstream, LLC
Board of Directors	the board of directors of our General Partner
condensate	a natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions
Deferred Purchase Price Obligation	the deferred payment liability recognized in connection with the 2016 Drop Down
DFW Midstream	DFW Midstream Services LLC
DJ Basin	Denver-Julesburg Basin
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
Energy Capital Partners	Energy Capital Partners II, LLC and its parallel and co-investment funds; also known as the Sponsor
Epping	Epping Transmission Company, LLC
EPU	earnings or loss per unit
FASB	Financial Accounting Standards Board
Finance Corp.	Summit Midstream Finance Corp.
GAAP	accounting principles generally accepted in the United States of America
General Partner	Summit Midstream GP, LLC
Grand River	Grand River Gathering, LLC
IDR	incentive distribution rights
IPO	initial public offering
LIBOR	London Interbank Offered Rate
Mbbl	one thousand barrels

Mbbl/d	one thousand barrels per day
Mcf	one thousand cubic feet
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Meadowlark Midstream	Meadowlark Midstream Company, LLC
MMcf	one million cubic feet
MMcf/d	one million cubic feet per day
Mountaineer Midstream	Mountaineer Midstream gathering system
MVC	minimum volume commitment
NGL	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
Niobrara G&P	Niobrara Gathering and Processing system
OCC	Ohio Condensate Company, L.L.C.
OGC	Ohio Gathering Company, L.L.C.
Ohio Gathering	Ohio Gathering Company, L.L.C. and Ohio Condensate Company, L.L.C.
OpCo	Summit Midstream OpCo, LP
play	a proven geological formation that contains commercial amounts of hydrocarbons
Permian Finance	Summit Midstream Permian Finance, LLC

Polar and Divide	the Polar and Divide system; collectively Polar Midstream and Epping
Polar Midstream	Polar Midstream, LLC
produced water	water from underground geologic formations that is a by-product of natural gas and crude oil production
Red Rock Gathering	Red Rock Gathering Company, LLC
Remaining Consideration	management's estimate of the consideration to be paid to SMP Holdings in 2020 in connection with the 2016 Drop Down, the present value of which is reflected on our balance sheets as the Deferred Purchase Price Obligation
Revolving Credit Facility	the Third Amended and Restated Credit Agreement dated as of May 26, 2017
SEC	Securities and Exchange Commission
segment adjusted EBITDA	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) adjustments related to capital reimbursement activity, (vi) unit-based and noncash compensation, (vii) the change in the Deferred Purchase Price Obligation fair value, (viii) early extinguishment of debt expense, (ix) impairments and (x) 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 its MVC for the applicable period
SMLP	Summit Midstream Partners, LP
SMLP LTIP	SMLP Long-Term Incentive Plan
SMP Holdings	Summit Midstream Partners Holdings, LLC
Sponsor	Energy Capital Partners II, LLC and its parallel and co-investment funds; also known as Energy Capital Partners
Summit Holdings	Summit Midstream Holdings, LLC
Summit Investments	Summit Midstream Partners, LLC
Summit Niobrara	Summit Midstream Niobrara, LLC
Summit Marketing	Summit Midstream Marketing, LLC
Summit Permian	Summit Midstream Permian, LLC
Summit Utica	Summit Midstream Utica, LLC
the Company	Summit Midstream Partners, LLC and its subsidiaries
the Partnership	Summit Midstream Partners, LP and its subsidiaries
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
Tioga Midstream	Tioga Midstream, LLC
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

	March 31, 2018	December 31, 2017
	(In thousands, except unit amounts)	
Assets		
Current assets:		
Cash and cash equivalents	$3,366	$ 1,430
Accounts receivable	68,811	72,301
Other current assets	3,535	4,327
Total current assets	75,712	78,058
Property, plant and equipment, net	1,858,312	1,795,129
Intangible assets, net	293,771	301,345
Goodwill	16,211	16,211
Investment in equity method investees	682,227	690,485
Other noncurrent assets	13,153	13,565
Total assets	$2,939,386	$ 2,894,793
Liabilities and Partners' Capital		
Current liabilities:		
Trade accounts payable	$21,232	$ 16,375
Accrued expenses	13,971	12,499
Due to affiliate	443	1,088
Deferred revenue	10,159	4,000
Ad valorem taxes payable	3,834	8,329
Accrued interest	15,383	12,310
Accrued environmental remediation	3,068	3,130
Other current liabilities	5,984	11,258
Total current liabilities	74,074	68,989
Long-term debt	1,091,602	1,051,192
Deferred Purchase Price Obligation	384,617	362,959
Noncurrent deferred revenue	36,587	12,707
Noncurrent accrued environmental remediation	1,916	2,214
Other noncurrent liabilities	6,509	7,063
Total liabilities	1,595,305	1,505,124
Commitments and contingencies (Note 16)		
Series A Preferred Units (300,000 units issued and outstanding at March 31, 2018 and December 31, 2017)	300,741	294,426

Common limited partner capital (73,355,775 units issued and outstanding at March 31, 2018 and 73,085,996 units issued and outstanding at December 31, 2017)	1,005,409	1,056,510
General Partner interests (1,490,999 units issued and outstanding at March 31, 2018 and December 31, 2017)	27,033	27,920
Noncontrolling interest	10,898	10,813
Total partners' capital	1,344,081	1,389,669
Total liabilities and partners' capital	$2,939,386	$ 2,894,793

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

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2018	2017
	(In thousands, except per-unit amounts)	
Revenues:		
Gathering services and related fees	$84,361	$118,013
Natural gas, NGLs and condensate sales	26,117	11,120
Other revenues	6,842	6,672
Total revenues	117,320	135,805
Costs and expenses:		
Cost of natural gas and NGLs	20,286	9,052
Operation and maintenance	24,604	23,692
General and administrative	14,385	14,132
Depreciation and amortization	26,677	28,569
Transaction costs	57	—
(Gain) loss on asset sales, net	(74)	3
Long-lived asset impairment	—	284
Total costs and expenses	85,935	75,732
Other (expense) income	(7)	71
Interest expense	(15,122)	(16,716)
Early extinguishment of debt	—	(22,020)
Deferred Purchase Price Obligation	(21,658)	(20,883)
(Loss) income before income taxes and income (loss) from equity method investees	(5,402)	525
Income tax benefit (expense)	171	(452)
Income (loss) from equity method investees	1,386	(656)
Net loss	$(3,845)	$(583)
Less:		
Net income attributable to noncontrolling interest	85	102
Net loss attributable to SMLP	(3,930)	(685)
Less net income attributable to General Partner, including IDRs	2,058	2,092
Net loss attributable to limited partners	(5,988)	(2,777)
Less net income attributable to Series A Preferred Units	7,125	—
Net loss attributable to common limited partners	$(13,113)	$(2,777)
Loss per limited partner unit:		
Common unit – basic	$(0.18)	$(0.04)
Common unit – diluted	$(0.18)	$(0.04)

Weighted-average limited partner units outstanding:		
Common units – basic	73,134	72,149
Common units – diluted	73,134	72,149

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

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Partners' capital Limited partners Common	General Partner	Noncontrolling interest	Total
	(In thousands)			
Partners' capital, January 1, 2017	$1,129,132	$29,294	$ 11,247	$1,169,673
Net (loss) income	(2,777)	2,092	102	(583)
Distributions to unitholders	(41,464)	(2,988)	—	(44,452)
Unit-based compensation	2,048	—	—	2,048
Tax withholdings on vested SMLP LTIP awards	(2,051)	—	—	(2,051)
ATM Program issuances, net of costs	367	—	—	367
Contribution from General Partner	—	113	—	113
Partners' capital, March 31, 2017	$1,085,255	$28,511	$ 11,349	$1,125,115

	Partners' capital Limited partners Series A Preferred Units	Common	General Partner	Noncontrolling interest	Total
	(In thousands)				
Partners' capital, December 31, 2017, as reported	$294,426	$1,056,510	$ 27,920	$ 10,813	$1,389,669
January 1, 2018 impact of Topic 606 day 1 adoption	—	4,130	84	—	4,214
Partners' capital, January 1, 2018	294,426	1,060,640	28,004	10,813	1,393,883
Net income (loss)	7,125	(13,113)	2,058	85	(3,845)
Distributions to unitholders	—	(42,024)	(3,029)	—	(45,053)
Unit-based compensation	—	1,979	—	—	1,979
Tax withholdings on vested SMLP LTIP awards	—	(1,943)	—	—	(1,943)
Other	(810)	(130)	—	—	(940)
Partners' capital, March 31, 2018	$300,741	$1,005,409	$ 27,033	$ 10,898	$1,344,081

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

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net loss	$(3,845)	$(583)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	26,526	28,418
Amortization of debt issuance costs	1,040	1,032
Deferred Purchase Price Obligation	21,658	20,883
Unit-based and noncash compensation	1,962	2,128
(Income) loss from equity method investees	(1,386)	656
Distributions from equity method investees	9,644	8,944
(Gain) loss on asset sales, net	(74)	3
Long-lived asset impairment	—	284
Early extinguishment of debt	—	22,020
Changes in operating assets and liabilities:		
Accounts receivable	3,490	43,695
Trade accounts payable	(3,294)	(4,042)
Accrued expenses	1,472	718
Due (to) from affiliate	(645)	228
Deferred revenue, net	1,130	(38,485)
Ad valorem taxes payable	(4,495)	(6,522)
Accrued interest	3,073	(11,780)
Accrued environmental remediation, net	(360)	(307)
Other, net	(4,686)	(4,841)
Net cash provided by operating activities	51,210	62,449
Cash flows from investing activities:		
Capital expenditures	(40,778)	(14,428)
Contributions to equity method investees	—	(4,936)
Other, net	(221)	(361)
Net cash used in investing activities	(40,999)	(19,725)

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(continued)

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Cash flows from financing activities:		
Distributions to unitholders	(45,053)	(44,452)
Borrowings under Revolving Credit Facility	50,000	72,000
Repayments under Revolving Credit Facility	(10,000)	(245,000)
Debt issuance costs	(4)	(6,825)
Payment of redemption and call premiums on senior notes	—	(17,913)
Proceeds from ATM Program common unit issuances, net of costs	—	367
Contribution from General Partner	—	113
Issuance of senior notes	—	500,000
Tender and redemption of senior notes	—	(300,000)
Other, net	(3,218)	(2,157)
Net cash used in financing activities	(8,275)	(43,867)
Net change in cash and cash equivalents	1,936	(1,143)
Cash and cash equivalents, beginning of period	1,430	7,428
Cash and cash equivalents, end of period	$3,366	$6,285
Supplemental cash flow disclosures:		
Cash interest paid	$12,207	$28,040
Less capitalized interest	1,222	468
Interest paid (net of capitalized interest)	$10,985	$27,572
Noncash investing and financing activities		
Capital expenditures in trade accounts payable (period-end accruals)	$19,943	$13,977
Capital expenditures relating to contributions in aid of construction for Topic 606 day 1 adoption	33,123	—

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

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION, BUSINESS OPERATIONS AND PRESENTATION AND CONSOLIDATION

Organization. SMLP, a Delaware limited partnership, was formed in May 2012 and began operations in October 2012 in connection with its IPO of common limited partner units. SMLP is a growth-oriented limited partnership focused on developing, owning and operating midstream energy infrastructure assets that are strategically located in the core producing areas of unconventional resource basins, primarily shale formations, in the continental United States. Our business activities are conducted through various operating subsidiaries, each of which is owned or controlled by our wholly owned subsidiary holding company, Summit Holdings, a Delaware limited liability company. References to the "Partnership," "we," or "our" refer collectively to SMLP and its subsidiaries.

The General Partner, a Delaware limited liability company, manages our operations and activities. Summit Investments, a Delaware limited liability company, is the ultimate owner of our General Partner and has the right to appoint the entire Board of Directors. Summit Investments is controlled by Energy Capital Partners.

In addition to its approximate 2% general partner interest in SMLP (including the IDRs), Summit Investments has indirect ownership interests in our common units. As of March 31, 2018, Summit Investments beneficially owned 25,854,581 SMLP common units and a subsidiary of Energy Capital Partners directly owned 5,915,827 SMLP common units.

Neither SMLP nor its subsidiaries have any employees. All of the personnel that conduct our business are employed by Summit Investments, but these individuals are sometimes referred to as our employees.

Business Operations. We provide natural gas gathering, treating and processing services as well as crude oil and produced water gathering services pursuant to primarily long-term and fee-based agreements with our customers. Our results are driven primarily by the volumes of natural gas that we gather, treat, compress and process as well as by the volumes of crude oil and produced water that we gather. We are the owner-operator of or have significant ownership interests in the following gathering systems:

- Summit Utica, a natural gas gathering system operating in the Appalachian Basin, which includes the Utica and Point Pleasant shale formations in southeastern Ohio;
- Ohio Gathering, a natural gas gathering system and a condensate stabilization facility operating in the Appalachian Basin, which includes the Utica and Point Pleasant shale formations in southeastern Ohio;
- Polar and Divide, crude oil and produced water gathering systems and transmission pipelines located in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Tioga Midstream, crude oil, produced water and associated natural gas gathering systems operating in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Bison Midstream, an associated natural gas gathering system operating in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Grand River, a natural gas gathering and processing system located in the Piceance Basin, which includes the Mesaverde formation and the Mancos and Niobrara shale formations in western Colorado and eastern Utah;

- Niobrara G&P, an associated natural gas gathering and processing system operating in the DJ Basin, which includes the Niobrara and Codell shale formations in northeastern Colorado;
- DFW Midstream, a natural gas gathering system operating in the Fort Worth Basin, which includes the Barnett Shale formation in north-central Texas;

- Mountaineer Midstream, a natural gas gathering system operating in the Appalachian Basin, which includes the Marcellus Shale formation in northern West Virginia; and
- Summit Permian, an associated natural gas gathering and processing system under development in the northern Delaware Basin in southeastern New Mexico.

In February 2016, the Partnership and SMP Holdings, a wholly owned subsidiary of Summit Investments, entered into a contribution agreement (the "Contribution Agreement") pursuant to which SMP Holdings agreed to contribute to the Partnership substantially all of its limited partner interest in OpCo, a Delaware limited partnership that owns (i) 100% of the issued and outstanding membership interests of Summit Utica, Meadowlark Midstream and Tioga Midstream and collectively with Summit Utica and Meadowlark Midstream, (the "Contributed Entities"), each a limited liability company and (ii) a 40% ownership interest in each of OGC and OCC (collectively with OpCo and the Contributed Entities, the “2016 Drop Down Assets”)(the “2016 Drop Down”). The 2016 Drop Down closed in March 2016; concurrent therewith, a subsidiary of Summit Investments retained a 1% noncontrolling interest in OpCo.

In December 2017, the Niobrara associated natural gas gathering and processing assets held by Meadowlark Midstream were contributed to Summit Niobrara, a newly formed entity. Concurrent with this contribution (i) a subsidiary of SMLP purchased the remaining 1% ownership interest in Summit Niobrara held by Summit Epping, LLC for approximately $0.8 million; and (ii) 100% of the ownership interests in Summit Niobrara were contributed to Grand River Gathering, LLC (“Grand River”), after which Summit Niobrara became a wholly-owned subsidiary of Grand River.

Summit Marketing, a Delaware limited liability company and a wholly owned subsidiary of Summit Holdings, manages OpCo, a Delaware limited liability partnership, and provides natural gas and crude oil marketing services in and around our gathering systems.

Presentation and Consolidation. We prepare our unaudited condensed consolidated financial statements in accordance with GAAP as established by the FASB. We make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates, including fair value measurements, the reported amounts of revenue and expense and the disclosure of contingencies. Although management believes these estimates are reasonable, actual results could differ from its estimates.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and the regulations of the SEC. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations. We believe that the disclosures made are adequate to make the information not misleading. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, including normal recurring adjustments, which are necessary to fairly present the unaudited condensed consolidated balance sheet as of March 31, 2018, the unaudited condensed consolidated statements of operations, partners’ capital and cash flows for the three months ended March 31, 2018 and 2017. The balance sheet at December 31, 2017 included herein was derived from our audited financial statements, but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our annual report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on February 26, 2018 (the "2017 Annual Report"). The results of operations for an interim period are not necessarily indicative of results expected for a full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes below, there have been no changes to our significant accounting policies since December 31, 2017.

Recent Accounting Pronouncements. Accounting standard setters frequently issue new or revised accounting rules. We review new pronouncements to determine the impact, if any, on our financial statements. Accounting standards that have or could possibly have a material effect on our financial statements are discussed below.

Recently Adopted Accounting Pronouncements. We have recently adopted the following accounting pronouncements:

- ASU No. 2014-09 Revenue from Contracts with Customers ("Topic 606"). We adopted Topic 606 with a date of initial application of January 1, 2018. We applied Topic 606 by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of partners' capital at January 1, 2018. The comparative information has not been adjusted and is reported under the accounting standards in effect for those periods.

For contracts where we perform gathering services and earn a per-unit fee which is recognized at a point in time, revenue is recognized over time as the service is performed and results in revenue recognition materially consistent with historical GAAP. In addition, our contracts generally contain forms of variable consideration, which will likely be constrained as the volumes are susceptible to factors outside of our control and influence. As a result of applying the constraint guidance, timing of revenue recognition will be materially consistent with historical GAAP.

Prior to the adoption of Topic 606, contributions in aid of construction were recognized as a reduction to our cost basis of property, plant and equipment and facility fees were recognized as revenue when the amounts were billed. Upon adoption of Topic 606, the contributions in aid of construction amounts previously received were capitalized to property, plant and equipment, net of any accumulated depreciation, and will be depreciated over the remaining useful lives. Any future contributions in aid of construction will be recognized as revenue over the remaining term of the respective contract in accordance with Topic 606. Additionally, facility fees will be deferred and recognized over the contract term.

There are certain percent-of-proceeds contracts within our Williston Basin reportable segment where we previously recognized revenue for services provided to producers in gathering services and related fees. Such amounts which were previously presented gross in gathering services and related fees are presented net within cost of natural gas and NGLs. This change did not have any impact on our net income (loss), cash flows, or the amount we present as segment adjusted EBITDA.

For contracts containing MVC arrangements with banking mechanisms we previously deferred revenue. Under Topic 606, the recognition of revenue was accelerated. This acceleration totaled $16.7 million and is included in the Topic 606 day one adjustment amounts below in deferred revenue.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of Topic 606 was as follows:

	Balance at December 31, 2017	Adjustments Due to Topic 606	Balance at January 1, 2018
	(In thousands)		
Assets			
Property, plant and equipment, net	$1,795,129	$ 33,123	$1,828,252
Liabilities			
Deferred revenue, current	4,000	6,088	10,088
Deferred revenue, noncurrent	12,707	22,821	35,528
Partners' Capital (1)	1,084,430	4,214	1,088,644

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(1) Includes common limited partner capital and general partner interests.

Impact on financial statements

The following tables summarize the impact of Topic 606 adoption on our unaudited condensed consolidated financial statements.

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Unaudited condensed consolidated balance sheet

	March 31, 2018		
	As Reported	Balances Without Adoption of Topic 606	Effect of Change Increase / (Decrease)
	(In thousands)		
Assets			
Accounts receivable	$68,811	$66,386	$ 2,425
Property, plant and equipment, net	1,858,312	1,824,484	33,828
Liabilities			
Deferred revenue, current	10,159	4,071	6,088
Deferred revenue, noncurrent	36,587	12,707	23,880
Partners' Capital (1)	1,032,442	1,026,157	6,285

(1) Includes common limited partner capital and general partner interests.

Unaudited condensed consolidated statement of operations

	Three months ended March 31, 2018		
	As Reported	Balances Without Adoption of Topic 606	Effect of Change Increase / (Decrease)
	(In thousands)		
Revenues			
Gathering services and related fees	$84,361	$ 85,303	$ (942)
Costs and expenses			
Cost of natural gas and NGLs	20,286	23,602	(3,316)
Depreciation and amortization	26,677	26,374	303

Unaudited condensed consolidated statement of cash flows

	Three months ended March 31, 2018		
	As Reported	Balances Without Adoption of Topic	Effect of Change Increase / (Decrease)

	606		
	(In thousands)		
Cash flows from operating activities:			
Net loss	$(3,845)	$ (5,916)	$ 2,071
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	26,526	26,223	303
Cash flows from operating activities:			
Accounts receivable	3,490	5,915	(2,425)
Deferred revenue, net	1,130	1,079	51

- ASU No. 2017-04 Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by, among other things, eliminating step two from the goodwill impairment test. ASU 2017-04 is effective for public companies for fiscal years beginning after December 15, 2019 and it specifies the amendments in ASU 2017-04 should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We adopted the provisions of ASU 2017-04 effective January 1, 2018. The adoption of this standard had no impact on our consolidated financial statements.

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Accounting Pronouncements Pending Adoption. We have not yet adopted the following accounting pronouncements as of March 31, 2018:

- ASU No. 2016-02 Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires that lessees recognize all leases on the balance sheet, with the exception of short-term leases. A lease liability will be recorded for the obligation of a lessee to make lease payments arising from a lease. A right-of-use asset will be recorded which represents the lessee's right to use, or to control the use of, a specified asset for a lease term. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, and requires the modified retrospective approach for transition. We are currently evaluating the provisions of ASU 2016-02 to determine its impact on our financial statements and related disclosures and will adopt its provisions effective January 1, 2019.
- ASU No. 2018-01 Leases: Land Easement Practical Expedient for Transition to Topic 842 ("ASU 2018-01"). ASU 2018-01 provides an optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840. Upon adoption of Topic 842, an entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date the entity adopts Topic 842. We expect to adopt the optional transition practical expedient of ASU 2018-01 effective January 1, 2019.

3. REVENUE

The majority of our revenue is derived from long-term and fee-based contracts with original terms of up to 25 years. We account for revenue in accordance with Topic 606 which we adopted on January 1, 2018, using the modified retrospective method. See Note 2 for further discussion of the adoption, including the impact on our consolidated financial statements.

We recognize revenue earned from fee-based gathering, treating and processing services in gathering services and related fees. We also earn revenue in the Williston Basin reporting segment from the sale of physical natural gas purchased from our customers under certain percent-of-proceeds arrangements. Under Topic 606, these contracts are presented net within cost of natural gas and NGLs. We sell natural gas that we retain from certain DFW Midstream customers to offset the power expenses of the electric-driven compression on the DFW Midstream system. We also sell condensate retained from our gathering services at Grand River. Revenues from the sale of natural gas and condensate are recognized in natural gas, NGLs and condensate sales; the associated expense is included in operation and maintenance expense. Certain customers reimburse us for costs we incur on their behalf. We record costs incurred and reimbursed by our customers on a gross basis, with the revenue component recognized in other revenues.

The transaction price in our contracts is primarily based on the volume of natural gas, crude oil or produced water transferred by our gathering systems to the customer's agreed upon delivery point multiplied by the contractual rate. For contracts that include MVCs, variable consideration up to the MVC will be included in the transaction price. For contracts that do not include MVCs, we do not estimate variable consideration because the performance obligations are completed and settled on a daily basis. For contracts containing noncash consideration such as fuel received in-kind, we will measure the transaction price at the point of sale when the volume, mix and market price of the commodities are known.

We have contracts with MVCs that are variable and constrained. Contracts with MVCs are reviewed on a quarterly basis and adjustments to those estimates are made during each respective reporting period, if necessary.

The transaction price is allocated if the contract contains more than one performance obligation such as contracts that include MVCs. The transaction price allocated is based on the MVC for the applicable measurement period.

Performance obligations. The majority of our contracts have a single performance obligation which is either to provide gathering services (an integrated service) or sell natural gas, NGLs and condensate, which are both satisfied when the related natural gas, crude oil and produced water are picked up and transferred to an agreed upon delivery point. We also have certain contracts with multiple performance obligations. They include an option for the customer to acquire additional services such as contracts containing MVCs. These performance obligations would also be satisfied when the related natural gas, crude oil and produced water are picked up and transferred to an agreed upon delivery point. In these instances, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each service in the contract.

Performance obligations for gathering services are generally satisfied over time. We utilize either an output method (i.e., measure of progress) for guaranteed, stand-ready service contracts or an asset / system delivery time estimate for non-guaranteed, as-available service contracts.

Performance obligations for the sale of natural gas, NGLs and condensate are satisfied at a point in time. There are no significant judgments for these transactions because the customer obtains control based on an agreed upon delivery point.

Certain of our gathering and/or processing agreements provide for monthly or annual MVCs. Under these MVCs, our customers agree to ship and/or process a minimum volume of production on our gathering systems or to pay a minimum monetary amount over certain periods during the term of the MVC. A customer must make a shortfall payment to us at the end of the contracted measurement period if its actual throughput volumes are less than its MVC for that period. Certain customers are entitled to utilize shortfall payments to offset gathering fees in one or more subsequent contracted measurement periods to the extent that such customer's throughput volumes in a subsequent contracted measurement period exceed its MVC for that contracted measurement period.

We recognize customer obligations under their MVCs as revenue and contract assets when (i) we consider it remote that the customer will utilize shortfall payments to offset gathering or processing fees in excess of its MVCs in subsequent periods; (ii) the customer incurs a shortfall in a contract with no banking mechanism or claw back provision; (iii) the customer's banking mechanism has expired; or (iv) it is remote that the customer will use its unexercised right.

Our services are typically billed on a monthly basis and we do not offer extended payment terms. We do not have contracts with financing components.

The following table presents estimated revenue expected to be recognized during the remainder of 2018 and over the remaining contract period related to performance obligations that are unsatisfied and are comprised of estimated MVC shortfall payments.

We applied the practical expedient in paragraph 606-10-50-14 of Topic 606 for certain arrangements that we consider optional purchases (i.e., there is no enforceable obligation for the customer to make purchases) and those amounts are excluded from the table.

	2018	2019	2020	2021	2022	Thereafter
	(In thousands)					
Gathering services and related fees	$115,834	$133,743	$122,429	$102,777	$83,648	$174,227

Revenue by Category. In the following table, revenue is disaggregated by geographic area and major products and services. For more detailed information about reportable segments, see Note 4.

Reportable Segments							
Three months ended March 31, 2018							
Utica Shale	Williston Basin	Piceance / DJ Basins	Barnett Shale	Marcellus Shale	Total reportable segments	All other segments	Total
(In thousands)							

Major products/services lines								
Gathering services and related fees	$10,041	$17,666	$35,294	$13,637	$ 7,825	$84,463	$ (102)	$84,361
Natural gas, NGLs and condensate sales	—	7,846	4,325	545	—	12,716	13,401	26,117
Other revenues	—	2,912	1,968	1,988	—	6,868	(26)	6,842
Total	$10,041	$28,424	$41,587	$16,170	$ 7,825	$104,047	$ 13,273	$117,320

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Contract balances. Contract assets relate to our rights to consideration for work completed but not billed at the reporting date and consist of the estimated MVC shortfall payments expected from our customers and unbilled activity associated with contributions in aid of construction. Contract assets are transferred to trade receivables when the rights become unconditional. As of March 31, 2018, receivables with customers totaled $63.4 million and contract assets totaled $3.4 million which were included in the accounts receivable caption on the unaudited condensed consolidated balance sheet.

Contract liabilities (deferred revenue) relate to the advance consideration received from customers primarily for contributions in aid of construction. We recognize contract liabilities under these arrangements in revenue over the contract period. For the three months ended March 31, 2018, we recognized $1.1 million of gathering services and related fees which was included in the contract liability balance as of the beginning of the period. See Note 9 for additional details.

4. SEGMENT INFORMATION

As of March 31, 2018, our reportable segments are:

- the Utica Shale, which is served by Summit Utica;
- Ohio Gathering, which includes our ownership interest in OGC and OCC;
- the Williston Basin, which is served by Polar and Divide, Tioga Midstream and Bison Midstream;
- the Piceance/DJ Basins, which is served by Grand River and Niobrara G&P;
- the Barnett Shale, which is served by DFW Midstream; and
- the Marcellus Shale, which is served by Mountaineer Midstream.

Each of our reportable segments provides midstream services in a specific geographic area. Our reportable segments reflect the way in which we internally report the financial information used to make decisions and allocate resources in connection with our operations.

The Ohio Gathering reportable segment includes our investment in OGC and OCC (see Note 8). Income or loss from equity method investees, as reflected on the statements of operations, solely relates to Ohio Gathering and is recognized and disclosed on a one-month lag (see Note 8). No other line items in the statements of operations or cash flows, as disclosed in the tables below, include results for our investment in Ohio Gathering.

Corporate and Other represents those results that are: (i) not specifically attributable to a reportable segment; (ii) not individually reportable; or (iii) not allocated to our reportable segments for the purpose of evaluating their performance, including certain general and administrative expense items, natural gas and crude oil marketing services, and transaction costs.

Assets by reportable segment follow.

	March 31, 2018	December 31, 2017
	(In thousands)	
Assets:		
Utica Shale	$211,058	$ 212,311
Ohio Gathering	682,227	690,485
Williston Basin	515,701	512,860
Piceance/DJ Basins	829,571	798,722
Barnett Shale	379,360	383,306
Marcellus Shale	215,587	217,362

Total reportable segment assets	2,833,504	2,815,046
Corporate and Other	106,268	79,996
Eliminations	(386)	(249)
Total assets	$2,939,386	$2,894,793

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Revenues by reportable segment follow.

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Revenues (1):		
Utica Shale	$ 10,041	$ 8,796
Williston Basin	28,424	66,885
Piceance/DJ Basins	41,587	34,808
Barnett Shale	16,170	17,742
Marcellus Shale	7,825	6,904
Total reportable segments revenue	104,047	135,135
Corporate and Other	14,176	1,786
Eliminations	(903)	(1,116)
Total revenues	$ 117,320	$ 135,805

(1) Excludes revenues earned by Ohio Gathering due to equity method accounting.

Counterparties accounting for more than 10% of total revenues were as follows:

	Three months ended March 31,	
	2018	2017
Percentage of total revenues (1)(2):		
Counterparty A - Piceance/DJ Basins	11 %	*
Counterparty B - Williston Basin	*	32 %

(1) Includes recognition of revenue that was previously deferred in connection with minimum volume commitments.

(2) Excludes revenues earned by Ohio Gathering due to equity method accounting.

* Less than 10%

Depreciation and amortization, including the amortization expense associated with our favorable and unfavorable gas gathering contracts as reported in other revenues, by reportable segment follows.

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Depreciation and amortization (1):		
Utica Shale	$ 1,853	$ 1,647
Williston Basin	5,609	8,381
Piceance/DJ Basins	12,555	12,211
Barnett Shale (2)	3,757	3,762
Marcellus Shale	2,272	2,263

Total reportable segment depreciation and amortization	26,046	28,264
Corporate and Other	480	154
Total depreciation and amortization	$ 26,526	$ 28,418

(1) Excludes depreciation and amortization recognized by Ohio Gathering due to equity method accounting.

(2) Includes the amortization expense associated with our favorable and unfavorable gas gathering contracts as reported in other revenues.

Cash paid for capital expenditures by reportable segment follow.

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Cash paid for capital expenditures (1):		
Utica Shale	$ 1,020	$ 7,862
Williston Basin	5,888	429
Piceance/DJ Basins	16,904	5,864
Barnett Shale	37	(995)
Marcellus Shale	487	265
Total reportable segment capital expenditures	24,336	13,425
Corporate and Other	16,442	1,003
Total cash paid for capital expenditures	$ 40,778	$ 14,428

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(1) Excludes cash paid for capital expenditures by Ohio Gathering due to equity method accounting.

During the three months ended March 31, 2018, Corporate included cash paid of $0.3 million for corporate purposes; the remainder represents capital expenditures for Summit Permian.

We assess the performance of our reportable segments based on segment adjusted EBITDA. We define segment adjusted EBITDA as total revenues less total costs and expenses; plus (i) other income excluding interest income, (ii) our proportional adjusted EBITDA for equity method investees (as defined below), (iii) depreciation and amortization, (iv) adjustments related to MVC shortfall payments, (v) adjustments related to capital reimbursement activity, (vi) unit-based and noncash compensation, (vii) change in the Deferred Purchase Price Obligation fair value, (viii) early extinguishment of debt expense, (ix) impairments and (x) other noncash expenses or losses, less other noncash income or gains. We define proportional adjusted EBITDA for our equity method investees as the product of (i) total revenues less total expenses, excluding impairments and other noncash income or expense items and (ii) amortization for deferred contract costs; multiplied by our ownership interest in Ohio Gathering during the respective period.

For the purpose of evaluating segment performance, we exclude the effect of Corporate and Other revenues and expenses, such as certain general and administrative expenses (including compensation-related expenses and professional services fees), natural gas and crude oil marketing services, transaction costs, interest expense, change in the Deferred Purchase Price Obligation fair value, early extinguishment of debt expense and income tax expense or benefit from segment adjusted EBITDA.

Segment adjusted EBITDA by reportable segment follows.

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Reportable segment adjusted EBITDA		
Utica Shale	$ 8,715	$ 7,912
Ohio Gathering	10,477	9,073
Williston Basin	15,970	17,809
Piceance/DJ Basins	29,235	28,974
Barnett Shale	9,859	12,088
Marcellus Shale	6,676	5,647
Total of reportable segments' measures of profit or loss	$ 80,932	$ 81,503

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A reconciliation of income or loss before income taxes and income or loss from equity method investees to total of reportable segments' measures of profit or loss follows.

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Reconciliation of (loss) income before income taxes and income (loss) from equity method investees to total of reportable segments' measures of profit or loss:		
(Loss) income before income taxes and income (loss) from equity method investees	$(5,402)	$525
Add:		
Corporate and Other	10,623	10,093
Interest expense	15,122	16,716
Early extinguishment of debt	—	22,020
Deferred Purchase Price Obligation	21,658	20,883
Depreciation and amortization	26,526	28,418
Proportional adjusted EBITDA for equity method investees	10,477	9,073
Adjustments related to MVC shortfall payments	—	(28,640)
Adjustments related to capital reimbursement activity	40	—
Unit-based and noncash compensation	1,962	2,128
(Gain) loss on asset sales, net	(74)	3
Long-lived asset impairment	—	284
Total of reportable segments' measures of profit or loss	$80,932	$81,503

For the three months ended March 31, 2017, we included adjustments related to MVC shortfall payments in our calculation of segment adjusted EBITDA to account for (i) the net increases or decreases in deferred revenue for MVC shortfall payments and (ii) our inclusion of expected annual MVC shortfall payments. With respect to the impact of a net change in deferred revenue for MVC shortfall payments, we treated increases in deferred revenue balances as a favorable adjustment to segment adjusted EBITDA, while decreases in deferred revenue balances were treated as an unfavorable adjustment to segment adjusted EBITDA. We also included a proportional amount of any historical and expected MVC shortfall payments in each quarter prior to the quarter in which we actually recognized the shortfall payment.

For the three months ended March 31, 2018, in accordance with Topic 606, adjustments related to MVC shortfall payments are recognized in gathering services and related fees (see Note 3).

In accordance with Topic 606, contributions in aid of construction are recognized over the remaining term of the respective contract. We include adjustments related to capital reimbursement activity in our calculation of segment adjusted EBITDA to account for revenue recognized from contributions in aid of construction.

Adjustments related to MVC shortfall payments by reportable segment for the three months ended March 31, 2017 follow. There were no adjustments related to MVC shortfall payments for the three months ended March 31, 2018.

	Three months ended March 31, 2017			
	Williston Basin	Piceance/DJ Basins	Barnett Shale	Total
	(In thousands)			
Adjustments related to MVC shortfall payments:				
Net change in deferred revenue for MVC shortfall payments	$(37,693)	$ (792)	$—	$(38,485)
Expected MVC shortfall adjustments	1,982	6,545	1,318	9,845
Total adjustments related to MVC shortfall payments	$(35,711)	$ 5,753	$1,318	$(28,640)

5. PROPERTY, PLANT AND EQUIPMENT, NET

Details on property, plant and equipment follow.

	March 31, 2018	December 31, 2017
	(In thousands)	
Gathering and processing systems and related equipment	$2,014,522	$ 1,973,722
Construction in progress	122,132	78,850
Land and line fill	11,735	11,735
Other	41,114	40,262
Total	2,189,503	2,104,569
Less accumulated depreciation	331,191	309,440
Property, plant and equipment, net	$1,858,312	$ 1,795,129

Depreciation expense and capitalized interest follow.

	Three months ended March 31, 2018	2017
	(In thousands)	
Depreciation expense	$ 18,557	$ 18,491
Capitalized interest	1,222	468

6. AMORTIZING INTANGIBLE ASSETS AND UNFAVORABLE GAS GATHERING CONTRACT

Details regarding our intangible assets and the unfavorable gas gathering contract (included in other noncurrent liabilities), all of which are subject to amortization, follow.

	March 31, 2018		
	Gross carrying amount	Accumulated amortization	Net
	(In thousands)		
Favorable gas gathering contracts	$24,195	$ (12,739)	$11,456
Contract intangibles	278,448	(124,356)	154,092
Rights-of-way	160,931	(32,708)	128,223
Total intangible assets	$463,574	$ (169,803)	$293,771
Unfavorable gas gathering contract	$10,962	$ (9,613)	$1,349

	December 31, 2017		
	Gross carrying	Accumulated amortization	Net

	amount (In thousands)		
Favorable gas gathering contracts	$24,195	$ (12,350)	$11,845
Contract intangibles	278,448	(117,821)	160,627
Rights-of-way	159,986	(31,113)	128,873
Total intangible assets	$462,629	$ (161,284)	$301,345
Unfavorable gas gathering contract	$10,962	$ (9,074)	$1,888

We recognized amortization expense in other revenues as follows:

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Amortization expense – favorable gas gathering contracts	$ (389)	$ (389)
Amortization expense – unfavorable gas gathering contract	540	540

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We recognized amortization expense in costs and expenses as follows:

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Amortization expense – contract intangibles	$ 6,535	$ 8,551
Amortization expense – rights-of-way	1,585	1,527

The estimated aggregate annual amortization expected to be recognized for the remainder of 2018 and each of the four succeeding fiscal years follows.

	Intangible assets	Unfavorable gas gathering contract
	(In thousands)	
2018	$25,544	$ 1,349
2019	33,171	—
2020	32,995	—
2021	29,303	—
2022	26,236	—

7. GOODWILL

We evaluate goodwill for impairment annually on September 30. We also evaluate goodwill whenever events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. There have been no impairments of goodwill during the three months ended March 31, 2018.

Fair Value Measurement. Our impairment determinations, in the context of (i) our annual impairment evaluations and (ii) our other-than-annual impairment evaluations involved significant assumptions and judgments, as discussed in the 2017 Annual Report. Differing assumptions regarding any of these inputs could have a significant effect on the various valuations. As such, the fair value measurements utilized within these models are classified as non-recurring Level 3 measurements in the fair value hierarchy because they are not observable from objective sources. Due to the volatility of the inputs used, we cannot predict the likelihood of any future impairment.

8. EQUITY METHOD INVESTMENTS

Ohio Gathering owns, operates and is currently developing midstream infrastructure consisting of a liquids-rich natural gas gathering system, a dry natural gas gathering system and a condensate stabilization facility in the Utica Shale in southeastern Ohio. Ohio Gathering provides gathering services pursuant to primarily long-term, fee-based gathering agreements, which include acreage dedications.

A reconciliation of our 40% ownership interest in Ohio Gathering to our investment per Ohio Gathering's books and records follows (in thousands).

Investment in equity method investees, March 31, 2018	$682,227
March cash distributions	2,568
Basis difference	(126,846)
Investment in equity method investees, net of basis difference, February 28, 2018	$557,949

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Summarized statements of operations information for OGC and OCC follow (amounts represent 100% of investee financial information).

	Three months ended February 28, 2018		Three months ended February 28, 2017	
	OGC	OCC	OGC	OCC
	(In thousands)			
Total revenues	$34,960	$2,489	$37,075	$2,053
Total operating expenses	26,775	2,141	27,105	2,473
Net income (loss)	8,180	180	7,973	(1,215)

9. DEFERRED REVENUE

A rollforward of current deferred revenue follows.

	Utica Shale	Williston Basin	Piceance/DJ Basins	Barnett Shale	Marcellus Shale	Total current
	(In thousands)					
Current deferred revenue, December 31, 2017, as reported	$—	$ —	$ 4,000	$—	$ —	$4,000
Net impact of Topic 606 day 1 adoption	18	1,017	3,396	1,619	38	6,088
Current deferred revenue, January 1, 2018	18	1,017	7,396	1,619	38	10,088
Additions	5	325	5,344	400	9	6,083
Less revenue recognized	5	254	5,344	400	9	6,012
Current deferred revenue, March 31, 2018	$18	$ 1,088	$ 7,396	$1,619	$ 38	$10,159

A rollforward of noncurrent deferred revenue follows.

Utica Shale	Williston Basin