

Summit Midstream Partners, LP
Form 10-Q
August 04, 2017
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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, 2017

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)

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. x Yes o 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).

x Yes o 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 o
Accelerated filer o
filer

x
Smaller reporting company o

Non-accelerated
filer
o (Do
not
check
if
a
smaller
reporting
company)
Emerging
growth
company
o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o
Yes x 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, 2017
Common Units	73,058,946 units
General Partner Units	1,490,999 units

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COMMONLY USED OR DEFINED TERMS

2014 SRS	the Partnership's automatic shelf registration statement of well-known seasoned issuers initially filed with the SEC in July 2014 and amended in February 2017 which registered an indeterminate amount of common units, debt securities and guarantees
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
2016 SRS	the Partnership's shelf registration statement declared effective in November 2016 which registered up to \$1.5 billion of equity and debt securities in primary offerings and 36,701,230 common units beneficially owned by Summit Investments and affiliates of the Sponsor
2017 SRS	the Partnership's automatic shelf registration statement of well-known seasoned issuers filed with the SEC in July 2017 which registered an indeterminate amount of common units, debt securities and guarantees
5.5% Senior Notes	Summit Holdings' and Finance Corp. 5.5% senior unsecured notes due August 2022
7.5% Senior Notes	Summit Holdings' and Finance Corp. 7.5% senior unsecured notes redeemed March 2017
5.75% Senior Notes	Summit Holdings' and Finance Corp. 5.75% senior unsecured notes due April 2025
AMI	area of mutual interest; AMIs require that any production from wells drilled by our customers within the AMI be shipped on and/or processed by our gathering systems
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
Bcfe/d	the equivalent of one billion cubic feet per day; generally calculated when liquids are converted into gas; determined using a ratio of six thousand cubic feet of natural gas to one barrel of liquids
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

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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
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) unit-based and noncash compensation, (vi) the change in the Deferred Purchase Price Obligation fair value, (vii) early extinguishment of debt expense, (viii) impairments and (ix) 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

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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 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

	June 30, 2017	December 31, 2016
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$2,588	\$7,428
Accounts receivable	55,837	97,364
Other current assets	2,264	4,309
Total current assets	60,689	109,101
Property, plant and equipment, net	1,859,953	1,853,671
Intangible assets, net	402,020	421,452
Goodwill	16,211	16,211
Investment in equity method investees	701,020	707,415
Other noncurrent assets	14,457	7,329
Total assets	\$3,054,350	\$3,115,179
Liabilities and Partners' Capital		
Current liabilities:		
Trade accounts payable	\$10,327	\$16,251
Accrued expenses	8,278	11,389
Due to affiliate	470	258
Deferred revenue	4,745	—
Ad valorem taxes payable	7,295	10,588
Accrued interest	17,015	17,483
Accrued environmental remediation	6,183	4,301
Other current liabilities	6,305	11,471
Total current liabilities	60,618	71,741
Long-term debt	1,280,645	1,240,301
Deferred Purchase Price Obligation	579,106	563,281
Deferred revenue	13,049	57,465
Noncurrent accrued environmental remediation	2,346	5,152
Other noncurrent liabilities	7,687	7,566
Total liabilities	1,943,451	1,945,506
Commitments and contingencies (Note 15)		
Common limited partner capital (73,059 units issued and outstanding at June 30, 2017 and 72,111 units issued and outstanding at December 31, 2016)	1,071,244	1,129,132
General Partner interests (1,491 units issued and outstanding at June 30, 2017 and 1,471 units issued and outstanding at December 31, 2016)	28,217	29,294
Noncontrolling interest	11,438	11,247
Total partners' capital	1,110,899	