

MPLX LP  
Form 10-Q  
August 03, 2017

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 001-35714

MPLX LP  
(Exact name of registrant as specified in its charter)

Delaware 27-0005456  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

200 E. Hardin Street, Findlay, Ohio 45840  
(Address of principal executive offices) (Zip code)  
(419) 421-2414  
(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, 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

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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

MPLX LP had 388,521,088 common units and 7,929,000 general partner units outstanding at July 27, 2017.

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MPLX LP  
Form 10-Q  
Quarter Ended June 30, 2017

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Unless the context otherwise requires, references in this report to “MPLX LP,” “the Partnership,” “we,” “our,” “us,” or like terms refer to MPLX LP and its subsidiaries, including MPLX Operations LLC (“MPLX Operations”), MPLX Terminal and Storage LLC (“MPLX Terminal and Storage”), MarkWest Energy Partners, L.P. (“MarkWest”), MarkWest Hydrocarbon, L.L.C. (“MarkWest Hydrocarbon”), MPLX Pipe Line Holdings LLC (“Pipe Line Holdings”), Marathon Pipe Line LLC (“MPL”), Ohio River Pipe Line LLC (“ORPL”), Hardin Street Marine LLC (“HSM”), Hardin Street Transportation LLC (“HST”), Woodhaven Cavern LLC (“WHC”) and MPLX Terminals LLC (“MPLXT”). We have partial ownership interests in a number of joint venture legal entities, including MarkWest Pioneer, L.L.C. (“MarkWest Pioneer”), MarkWest Utica EMG, L.L.C. (“MarkWest Utica EMG”) and its subsidiary Ohio Gathering Company, L.L.C. (“Ohio Gathering”), Ohio Condensate Company, L.L.C. (“Ohio Condensate”), Wirth Gathering Partnership (“Wirth”), MarkWest EMG Jefferson Dry Gas Gathering Company, L.L.C. (“Jefferson Dry Gas”), Sherwood Midstream LLC (“Sherwood Midstream”), Sherwood Midstream Holdings LLC (“Sherwood Midstream Holdings”), MarEn Bakken Company, LLC (“MarEn Bakken”), Johnston County Terminal, LLC (“Johnston Terminal”) and Guilford County Terminal Company, LLC (“Guilford Terminal”). References to “MPC” refer collectively to Marathon Petroleum Corporation and its subsidiaries, other than the Partnership. Unless otherwise specified, references to “Predecessor” refer collectively to HSM’s, HST’s, WHC’s and MPLXT’s related assets, liabilities and results of operations prior to the dates of their respective acquisitions effective January 1, 2014 for HSM, January 1, 2015 for HST and WHC and April 1, 2016 for MPLXT.

## Glossary of Terms

The abbreviations, acronyms and industry technology used in this report are defined as follows.

ATM Program	A continuous offering, or at-the-market program, by which the Partnership may offer common units in amounts, at prices and on terms to be determined by market conditions and other factors at the time of any offerings, as defined by the prospectus supplement filed with the SEC on August 4, 2016
Bbl	Barrels
Bcf/d	One billion cubic feet of natural gas per day
Btu	One British thermal unit, an energy measurement
Condensate	A natural gas liquid with a low vapor pressure mainly composed of propane, butane, pentane and heavier hydrocarbon fractions
DCF (a non-GAAP financial measure)	Distributable Cash Flow
Dth/d	Dekatherms per day
EBITDA (a non-GAAP financial measure)	Earnings Before Interest, Taxes, Depreciation and Amortization
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States of America
Gal	Gallon
Gal/d	Gallons per day
Initial Offering	Initial public offering on October 31, 2012
LIBOR	London Interbank Offered Rate
MarkWest Merger	On December 4, 2015, a wholly-owned subsidiary of the Partnership merged with MarkWest Energy Partners, L.P.
mbpd	Thousand barrels per day
MMBtu	One million British thermal units, an energy measurement
MMcf/d	One million cubic feet of natural gas per day
Net operating margin (a non-GAAP financial measure)	Segment revenue, less segment purchased product costs, less realized derivative gains (losses) related to purchased product costs
NGL	Natural gas liquids, such as ethane, propane, butanes and natural gasoline
OTC	Over-the-Counter
Predecessor	Collectively: - HSM's related assets, liabilities and results of operations prior to the date of its acquisition, March 31, 2016, effective January 1, 2015. - HST's, WHC's and MPLXT's related assets, liabilities and results of operations prior to the date of the acquisition, March 1, 2017, effective January 1, 2015 for HST and WHC and April 1, 2016 for MPLXT.
Realized derivative gain/loss	The gain or loss recognized when a derivative matures or is settled
SEC	U.S. Securities and Exchange Commission
SMR	Steam methane reformer, operated by a third party and located at the Javelina gas processing and fractionation complex in Corpus Christi, Texas
Unrealized derivative gain/loss	The gain or loss recognized on a derivative due to changes in fair value prior to the instrument maturing or settling
VIE	Variable interest entity
WTI	West Texas Intermediate



## Part I—Financial Information

## Item 1. Financial Statements

## MPLX LP

## Consolidated Statements of Income (Unaudited)

(In millions, except per unit data)	Three Months		Six Months	
	Ended June 30, 2017	2016 <sup>(1)</sup>	Ended June 30, 2017	2016 <sup>(1)</sup>
Revenues and other income:				
Service revenue	\$286	\$233	\$546	\$462
Service revenue - related parties	270	246	525	423
Rental income	70	71	139	141
Rental income - related parties	70	66	137	104
Product sales	191	137	394	237
Product sales - related parties	2	3	4	6
Gain on sale of assets	—	—	1	—
Income (loss) from equity method investments	1	(83	) 6	(78
Other income	1	1	3	3
Other income - related parties	25	24	47	45
Total revenues and other income	916	698	1,802	1,343
Costs and expenses:				
Cost of revenues (excludes items below)	139	113	252	207
Purchased product costs	140	114	271	193
Rental cost of sales	13	15	25	29
Rental cost of sales - related parties	1	1	1	1
Purchases - related parties	109	99	216	177
Depreciation and amortization	164	151	351	287
Impairment expense	—	1	—	130
General and administrative expenses	57	63	115	116
Other taxes	13	13	26	25
Total costs and expenses	636	570	1,257	1,165
Income from operations	280	128	545	178
Related party interest and other financial costs	—	—	—	1
Interest expense (net of amounts capitalized of \$11 million, \$7 million, \$18 million and \$14 million, respectively)	74	52	140	107
Other financial costs	13	12	25	24
Income before income taxes	193	64	380	46
Provision (benefit) for income taxes	2	(8	) 2	(12
Net income	191	72	378	58
Less: Net income attributable to noncontrolling interests	1	1	2	1
Less: Net income attributable to Predecessor	—	52	36	98
Net income (loss) attributable to MPLX LP	190	19	340	(41
Less: Preferred unit distributions	17	9	33	9
Less: General partner's interest in net income attributable to MPLX LP	74	46	136	85
Limited partners' interest in net income (loss) attributable to MPLX LP	\$99	\$(36	) \$171	\$(135
Per Unit Data (See Note 6)				
Net income (loss) attributable to MPLX LP per limited partner unit:				
Common - basic	\$0.26	\$(0.11	) \$0.46	\$(0.43

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Common - diluted	0.26	(0.11 )	0.46	(0.43 )
Weighted average limited partner units outstanding:				
Common - basic	377	331	370	316
Common - diluted	382	331	374	316
Cash distributions declared per limited partner common unit	\$0.5625	\$0.5100	\$1.1025	\$1.0150

(1) Financial information has been retrospectively adjusted for the acquisition of HST, WHC and MPLXT from MPC.

See Notes 1 and 3.

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

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MPLX LP  
Consolidated Balance Sheets (Unaudited)

(In millions)	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$293	\$ 234
Receivables, net	284	299
Receivables - related parties	173	247
Inventories	62	55
Other current assets	31	33
Total current assets	843	868
Equity method investments	3,368	2,471
Property, plant and equipment, net	11,638	11,408
Intangibles, net	473	492
Goodwill	2,245	2,245
Long-term receivables - related parties	16	11
Other noncurrent assets	18	14
Total assets	\$18,601	\$ 17,509
Liabilities		
Current liabilities:		
Accounts payable	\$144	\$ 140
Accrued liabilities	178	232
Payables - related parties	93	87
Deferred revenue	3	2
Deferred revenue - related parties	39	38
Accrued property, plant and equipment	171	146
Accrued taxes	39	38
Accrued interest payable	94	53
Other current liabilities	29	27
Total current liabilities	790	763
Long-term deferred revenue	26	12
Long-term deferred revenue - related parties	33	19
Long-term debt	6,666	4,422
Deferred income taxes	7	6
Deferred credits and other liabilities	170	177
Total liabilities	7,692	5,399
Commitments and contingencies (see Note 17)		
Redeemable preferred units	1,000	1,000
Equity		
Common unitholders - public (284 million and 271 million units issued and outstanding)	8,360	8,086
Class B unitholders (4 million and 4 million units issued and outstanding)	133	133
Common unitholder - MPC (90 million and 86 million units issued and outstanding)	1,161	1,069
Common unitholder - GP (9 million and 0 units issued and outstanding)	351	—
General partner - MPC (8 million and 7 million units issued and outstanding)	(242 )	1,013
Equity of Predecessor	—	791
Total MPLX LP partners' capital	9,763	11,092
Noncontrolling interests	146	18



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Total equity	9,909	11,110
Total liabilities, preferred units and equity	\$18,601	\$ 17,509

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

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## MPLX LP

## Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(In millions)	2017	2016 <sup>(1)</sup>
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income	\$378	\$ 58
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	25	23
Depreciation and amortization	351	287
Impairment expense	—	130
Deferred income taxes	1	(13 )
Asset retirement expenditures	(1 )	(2 )
Gain on disposal of assets	(1 )	—
(Income) loss from equity method investments	(6 )	78
Distributions from unconsolidated affiliates	66	78
Changes in:		
Current receivables	17	(20 )
Inventories	(2 )	(3 )
Fair value of derivatives	(22 )	25
Current accounts payable and accrued liabilities	(16 )	19
Receivables from / liabilities to related parties	22	(12 )
All other, net	32	22
Net cash provided by operating activities	844	670
Investing activities:		
Additions to property, plant and equipment	(652 )	(606 )
Acquisitions, net of cash acquired	(220 )	—
Disposal of assets	3	—
Investments - net related party loans	80	37
Investments in unconsolidated affiliates	(640 )	(39 )
Distributions from unconsolidated affiliates - return of capital	24	—
All other, net	1	5
Net cash used in investing activities	(1,404 )	(603 )
Financing activities:		
Long-term debt - borrowings	2,241	434
- repayments	(1 )	(1,311)
Related party debt - borrowings	12	1,853
- repayments	(12 )	(1,861)
Debt issuance costs	(21 )	—
Net proceeds from equity offerings	443	321
Issuance of redeemable preferred units	—	984
Distribution to MPC for acquisition	(1,511 )	—
Distributions to preferred unitholders	(33 )	—
Distributions to unitholders and general partner	(505 )	(391 )
Distributions to noncontrolling interests	(2 )	(1 )
Contributions from noncontrolling interests	128	2
All other, net	(7 )	(1 )

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Distributions to MPC from Predecessor	(113 )	(104 )
Net cash provided by (used in) financing activities	619	(75 )
Net increase (decrease) in cash and cash equivalents	59	(8 )
Cash and cash equivalents at beginning of period	234	43
Cash and cash equivalents at end of period	\$293	\$ 35

(1) Financial information has been retrospectively adjusted for the acquisition of HST, WHC and MPLXT from MPC.

See Notes 1 and 3.

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

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## MPLX LP

## Consolidated Statements of Equity (Unaudited)

(In millions)	Partnership					General Partner MPC	Non-controlling Interests	Equity of Predecessor <sup>(1)</sup>	Total
	Common Unitholder Public	Class B Unitholder Public	Common Unitholder MPC	Common Unitholder GP	Common Unitholder MPC				
Balance at December 31, 2015	\$7,691	\$ 266	\$ 465	\$ —	\$ 819	\$ 13	\$ 692	\$9,946	
Distributions to MPC from Predecessor	—	—	—	—	—	—	(104 )	(104 )	
Issuance of units under ATM Program	315	—	—	—	6	—	—	321	
Net (loss) income	(107 )	—	(28 )	—	85	1	98	49	
Allocation of MPC's net investment at acquisition	—	—	669	—	(337 )	—	(332 )	—	
Distributions to unitholders and general partner	(248 )	—	(57 )	—	(86 )	—	—	(391 )	
Distributions to noncontrolling interests	—	—	—	—	—	(1 )	—	(1 )	
Contributions from noncontrolling interests	—	—	—	—	—	2	—	2	
Non-cash contribution from MPC	—	—	—	—	—	—	334	334	
Equity-based compensation	5	—	—	—	—	—	—	5	
Deferred income tax impact from changes in equity	2	—	—	—	(2 )	—	—	—	
Balance at June 30, 2016	\$7,658	\$ 266	\$ 1,049	\$ —	\$ 485	\$ 15	\$ 688	\$10,161	
Balance at December 31, 2016	\$8,086	\$ 133	\$ 1,069	\$ —	—	—	—	—	