

MPLX LP
Form 10-Q
April 30, 2018
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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 001-35714

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 793,973,724 common units outstanding at April 26, 2018.

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MPLX LP

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.

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Glossary of Terms

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

ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM Program	An at-the-market program for the issuance of common units
barrel	One stock tank barrel, or 42 United States gallons of liquid volume, used in reference to crude oil or other liquid hydrocarbons.
bcf/d	One billion cubic feet 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
EBITDA (a non-GAAP financial measure)	Earnings Before Interest, Taxes, Depreciation and Amortization
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States of America
Gal	Gallon
Gal/d	Gallons per day
IDR	Incentive Distribution Right
Initial Offering	Initial public offering on October 31, 2012
LIBOR	London Interbank Offered Rate
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 revenues, less purchased product costs, less derivative gains (losses) related to purchased product costs
NGL	Natural gas liquids, such as ethane, propane, butanes and natural gasoline
NYSE	New York Stock Exchange
Partnership Agreement	Fourth Amended and Restated Agreement of Limited Partnership of MPLX LP, dated as of February 1, 2018 Collectively: - The related assets, liabilities and results of operations of Hardin Street Marine LLC (“HSM”) prior to the date of the acquisition, March 31, 2016, effective January 1, 2015
Predecessor	- The related assets, liabilities and results of operations of Hardin Street Transportation LLC (“HST”), Woodhaven Cavern LLC (“WHC”) and MPLX Terminals LLC (“MPLXT”) 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	United States 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

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Part I—Financial Information

Item 1. Financial Statements

MPLX LP

Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
	2018	2017
(In millions, except per unit data)		
Revenues and other income:		
Service revenue	\$382	\$260
Service revenue - related parties	471	255
Service revenue - product related	44	—
Rental income	79	69
Rental income - related parties	145	67
Product sales	207	203
Product sales - related parties	4	2
Income from equity method investments	61	5
Other income	4	3
Other income - related parties	23	22
Total revenues and other income	1,420	886
Costs and expenses:		
Cost of revenues (excludes items below)	206	113
Purchased product costs	187	131
Rental cost of sales	29	12
Rental cost of sales - related parties	1	—
Purchases - related parties	177	107
Depreciation and amortization	176	187
General and administrative expenses	69	58
Other taxes	18	13
Total costs and expenses	863	621
Income from operations	557	265
Related party interest and other financial costs	1	—
Interest expense (net of amounts capitalized of \$9 million, \$7 million, respectively)	112	66
Other financial costs	17	12
Income before income taxes	427	187
Provision for income taxes	4	—
Net income	423	187
Less: Net income attributable to noncontrolling interests	2	1
Less: Net income attributable to Predecessor	—	36
Net income attributable to MPLX LP	421	150
Less: Preferred unit distributions	16	16
Less: General partner's GP interest in net income attributable to MPLX LP	—	62
Limited partners' interest in net income attributable to MPLX LP	\$405	\$72
Per Unit Data (See Note 7)		
Net income attributable to MPLX LP per limited partner unit:		
Common - basic	\$0.61	\$0.20
Common - diluted	\$0.61	\$0.19
Weighted average limited partner units outstanding:		

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Common - basic	661	362
Common - diluted	661	367
Cash distributions declared per limited partner common unit	\$0.6175	\$0.5400

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

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MPLX LP

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
(In millions)	2018	2017
Net income	\$423	\$187
Other comprehensive income (loss), net of tax:		
Remeasurements of pension and other postretirement benefits related to equity method investments, net of tax	(2)	—
Comprehensive income	421	187
Less comprehensive income (loss) attributable to:		
Noncontrolling interests	2	1
Income attributable to Predecessor	—	36
Comprehensive income attributable to MPLX LP	\$419	\$150

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

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MPLX LP

Consolidated Balance Sheets (Unaudited)

(In millions)	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$2	\$5
Receivables, net	300	292
Receivables - related parties	330	160
Inventories	64	65
Other current assets	33	37
Total current assets	729	559
Equity method investments	4,033	4,010
Property, plant and equipment, net	13,291	12,187
Intangibles, net	444	453
Goodwill	2,460	2,245
Long-term receivables - related parties	21	20
Other noncurrent assets	28	26
Total assets	\$21,006	\$ 19,500
Liabilities		
Current liabilities:		
Accounts payable	\$143	\$ 151
Payables - related parties	146	516
Deferred revenue - related parties	43	43
Accrued interest payable	99	88
Other current liabilities	445	506
Total current liabilities	876	1,304
Long-term deferred revenue	49	42
Long-term deferred revenue - related parties	49	43
Long-term debt	11,861	6,945
Deferred income taxes	10	5
Deferred credits and other liabilities	183	188
Total liabilities	13,028	8,527
Commitments and contingencies (see Note 20)		
Redeemable preferred units	1,000	1,000
Equity		
Common unitholders - public (289 million and 289 million units issued and outstanding)	8,385	8,379
Common unitholder - MPC (505 million and 118 million units issued and outstanding)	(1,537)	2,099
General partner - MPC (0 and 8 million units issued and outstanding)	—	(637)
Accumulated other comprehensive loss	(16)	(14)
Total MPLX LP partners' capital	6,832	9,827
Noncontrolling interests	146	146
Total equity	6,978	9,973
Total liabilities, preferred units and equity	\$21,006	\$ 19,500

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

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MPLX LP

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
(In millions)	2018	2017
(Decrease) increase in cash, cash equivalents and restricted cash		
Operating activities:		
Net income	\$423	\$187
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	16	12
Depreciation and amortization	176	187
Deferred income taxes	4	—
Asset retirement expenditures	(1)	(1)
Gain on disposal of assets	—	(1)
Income from equity method investments	(61)	(5)
Distributions from unconsolidated affiliates	68	33
Changes in:		
Current receivables	(8)	44
Inventories	2	—
Fair value of derivatives	(9)	(18)
Current accounts payable and accrued liabilities	(44)	(59)
Receivables from / liabilities to related parties	(127)	(18)
Prepaid other current assets from related parties	1	3—
Deferred revenue	7	37
All other, net	3	9
Net cash provided by operating activities	450	377
Investing activities:		
Additions to property, plant and equipment	(455)	(280)
Acquisitions, net of cash acquired	—	(220)
Disposal of assets	2	(1)
Investments - net related party loans	—	80
Investments in unconsolidated affiliates	(38)	(554)
Distributions from unconsolidated affiliates - return of capital	—	20
All other, net	1	—
Net cash used in investing activities	(490)	(955)
Financing activities:		
Long-term debt - borrowings	9,610	2,241
- repayments	(4,655)	(1)
Related party debt - borrowings	452	12
- repayments	(838)	(12)
Debt issuance costs	(53)	(21)
Net proceeds from equity offerings	—	151
Distributions of cash received from joint-interest acquisition entities to MPC	(11)	—
Distributions to MPC for acquisition	(4,100)	(1,511)
Distributions to MPC from Predecessor	—	(113)
Distributions to noncontrolling interests	(3)	(2)
Distributions to preferred unitholders	(16)	(16)
Distributions to unitholders and general partner	(347)	(242)

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Contributions from noncontrolling interests	1	126
All other, net	(3)	(5)
Net cash provided by financing activities	37	607
Net (decrease) increase in cash, cash equivalents and restricted cash	(3)	29
Cash, cash equivalents and restricted cash at beginning of period	9	239
Cash, cash equivalents and restricted cash at end of period	\$6	\$268

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

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Consolidated Statements of Equity (Unaudited)

(In millions)	Partnership				Accumulated Other Comprehensive Loss	Non-controlling Interests	Equity of Predecessor	Total
	Common Unit-holder Public	Class B Unit-holder Public	Common Unit-holder MPC	General Partner MPC				
Balance at December 31, 2016	\$8,086	\$ 133	\$ 1,069	\$1,013	\$ —	\$ 18	\$ 791	\$11,110
Distributions to MPC from Predecessor	—	—	—	—	—	—	(113)	(113)
Issuance of units under ATM Program	148	—	—	3	—	—	—	151
Net income	55	—	17	62	—	1	36	171
Contribution from MPC	—	—	—	—	—	—	12	12
Allocation of MPC's net investment at acquisition	—	—	923	(197)	—	—	(726)	—
Distributions to MPC for acquisition	—	—	(430)	(1,081)	—	—	—	(1,511)
Distributions to unitholders and general partner	(140)	—	(45)	(57)	—	—	—	(242)
Distributions to noncontrolling interests	—	—	—	—	—	(2)	—	(2)
Contributions from noncontrolling interests	—	—	—	—	—	126	—	126
Other	(2)	—	—	—	—	—	—	(2)
Balance at March 31, 2017	\$8,147	\$ 133	\$ 1,534	\$(257)	\$ —	\$ 143	\$ —	\$9,700
Balance at December 31, 2017	\$8,379	\$ —	\$ 2,099	\$(637)	\$(14)	\$ 146	\$ —	\$9,973
Net income	180	—	225	—	—	2	—	407
Contribution from MPC	—	—	—	—	—	—	1,046	1,046
Allocation of MPC's net investment at acquisition	—	—	5,172	(4,126)	—	—	(1,046)	—
Distribution to MPC for acquisitions	—	—	(936)	(3,164)	—	—	—	(4,100)
Distributions to unitholders and general partner	(176)	—	(171)	—	—	—	—	(347)
Distributions to noncontrolling interests	—	—	—	—	—	(3)	—	(3)
Contributions from noncontrolling interests	—	—	—	—	—	1	—	1
Conversion of GP economic interests	—	—	(7,926)	7,926	—	—	—	—
Other	2	—	—	1	(2)	—	—	1
Balance at March 31, 2018	\$							