

Edgar Filing: Summit Midstream Partners, LP - Form 10-Q

Summit Midstream Partners, LP
Form 10-Q
May 14, 2013
Table of Contents

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, 2013

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

(State or other jurisdiction of
incorporation or organization)

45-5200503
(I.R.S. Employer
Identification No.)

2100 McKinney Avenue, Suite 1250
Dallas, Texas
(Address of principal executive offices)

75201
(Zip Code)

Registrant's telephone number, including area code: (214) 242-1955

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Units	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

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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, 2013
Common Units	24,412,427 units
Subordinated Units	24,409,850 units
General Partner Units	996,320 units

TABLE OF CONTENTS

PART I	<u>Financial Information</u>	<u>1</u>
Item 1.	<u>Financial Statements (Unaudited).</u>	<u>1</u>
	<u>Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Partners' Capital and Membership Interests for the three months ended March 31, 2013 and 2012</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012</u>	<u>4</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>17</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk.</u>	<u>29</u>
Item 4.	<u>Controls and Procedures.</u>	<u>29</u>
PART II	<u>Other Information</u>	<u>30</u>
Item 1.	<u>Legal Proceedings.</u>	<u>30</u>
Item 1A.	<u>Risk Factors.</u>	<u>30</u>
Item 6.	<u>Exhibits.</u>	<u>30</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this report as well as in periodic press releases and some oral statements made by our officials during our presentations are “forward-looking” statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words “expect,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “will,” “will continue,” “will likely result,” and similar expressions, or future conditional verbs such as “may,” “will,” “should,” “would” and “could.” In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, are also forward-looking statements. These forward-looking statements involve external risks and uncertainties, including, but not limited to, those described under the section entitled “Risk Factors” included herein.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond the control of our management team. All forward-looking statements in this report and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these risks and uncertainties. These risks and uncertainties include, among others:

- changes in general economic conditions;
- fluctuations in oil, natural gas and natural gas liquids prices;
- the extent and success of drilling efforts, as well as the extent and quality of natural gas volumes produced within proximity of our assets;
- failure or delays by our customers in achieving expected production in their natural gas projects;
- competitive conditions in our industry and their impact on our ability to connect natural gas supplies to our gathering and compression assets or systems;
- actions or inactions taken or non-performance by third parties, including suppliers, contractors, operators, processors, transporters and customers;
- our ability to consummate acquisitions, successfully integrate the acquired businesses, realize any cost savings and other synergies from any acquisition;
- the ability to attract and retain key management personnel;
- changes in the availability and cost of capital;
- the availability, terms and cost of downstream transportation and processing services;
- operating hazards, natural disasters, accidents, weather-related delays, casualty losses and other matters beyond our control;
- timely receipt of necessary government approvals and permits, our ability to control the costs of construction, including costs of materials, labor and right-of-way and other factors that may impact our ability to complete projects within budget and on schedule;
- the effects of existing and future laws and governmental regulations, including environmental and climate change requirements;
- the effects of existing and future litigation; and
- certain factors discussed elsewhere in this report.

Developments in any of these areas could cause actual results to differ materially from those anticipated or projected or cause a significant reduction in the market price of our common units.

The foregoing list of risks and uncertainties may not contain all of the risks and uncertainties that could affect us. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this document may not in fact occur. Accordingly, undue reliance should not be placed on these statements. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2013	December 31, 2012
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$2,817	\$7,895
Accounts receivable	34,317	33,504
Due from affiliate	2,712	774
Other assets	1,616	2,190
Total current assets	41,462	44,363
Property, plant and equipment, net	691,718	681,993
Intangible assets, net:		
Favorable gas gathering contracts	19,386	19,958
Contract intangibles	225,866	229,596
Rights-of-way	37,196	35,986
Total intangible assets, net	282,448	285,540
Goodwill	45,478	45,478
Other noncurrent assets	5,736	6,137
Total assets	\$1,066,842	\$1,063,511
Liabilities and Partners' Capital		
Current liabilities:		
Trade accounts payable	\$14,149	\$15,817
Deferred revenue	865	865
Ad valorem taxes payable	1,689	5,455
Other current liabilities	3,309	4,324
Total current liabilities	20,012	26,461
Revolving credit facility	214,230	199,230
Noncurrent liability, net (Note 4)	7,128	7,420
Deferred revenue	13,585	10,899
Other noncurrent liabilities	245	254
Total liabilities	255,200	244,264
Commitments and contingencies (Note 11)		
Common limited partner capital (24,412,427 units issued and outstanding at March 31, 2013 and December 31, 2012)	415,302	418,856
Subordinated limited partner capital (24,409,850 units issued and outstanding at March 31, 2013 and December 31, 2012)	376,276	380,169
General partner interests (996,320 units issued and outstanding at March 31, 2013 and December 31, 2012)	20,064	20,222
Total partners' capital	811,642	819,247
Total liabilities and partners' capital	\$1,066,842	\$1,063,511

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

Table of ContentsSUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2013	2012
	(In thousands, except per-unit and unit amounts)	
Revenues:		
Gathering services and other fees	\$38,069	\$31,918
Natural gas and condensate sales	5,806	3,731
Amortization of favorable and unfavorable contracts	(280) 134
Total revenues	43,595	35,783
Costs and expenses:		
Operation and maintenance	14,004	10,989
General and administrative	5,056	4,412
Transaction costs	8	193
Depreciation and amortization	9,987	8,290
Total costs and expenses	29,055	23,884
Other income	1	4
Interest expense	(1,880) (695
Affiliated interest expense	—	(3,482
Income before income taxes	12,661	7,726
Income tax expense	(181) (139
Net income	\$12,480	\$7,587
Less: net income attributable to general partner	250	
Net income attributable to limited partners	\$12,230	
Earnings per common unit – basic	\$0.25	
Earnings per common unit – diluted	\$0.25	
Earnings per subordinated unit – basic and diluted	\$0.25	
Weighted-average common units outstanding – basic	24,412,427	
Weighted-average common units outstanding – diluted	24,455,603	
Weighted-average subordinated units outstanding – basic and diluted	24,409,850	
Cash distributions declared per common unit	\$0.41	

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

Table of Contents

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND
 MEMBERSHIP INTERESTS

	Partners' capital Limited partners			Membership interests	Total
	Common	Subordinated	General partner		
	(In thousands, except per-unit amounts)				
Membership interests, January 1, 2012	\$—	\$—	\$—	\$640,270	\$640,270
Net income	—	—	—	7,587	7,587
Class B membership interest unit-based compensation	—	—	—	460	460
Membership interests, March 31, 2012	\$—	\$—	\$—	\$648,317	\$648,317
Partners' capital, January 1, 2013	\$418,856	\$380,169	\$20,222	\$—	\$819,247
Net income	6,115	6,115	250	—	12,480
SMLP unit-based compensation	327	—	—	—	327
Class B membership interest unit-based compensation	13	—	—	—	13
Distributions to unitholders (\$0.41 per unit)	(10,009)	(10,008)	(408)	—	(20,425)
Partners' capital, March 31, 2013	\$415,302	\$376,276	\$20,064	\$—	\$811,642

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

Table of ContentsSUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Net income	\$12,480	\$7,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,987	8,290
Amortization of favorable and unfavorable contracts	280	(134)
Amortization of deferred loan costs	435	233
Pay-in-kind interest on promissory notes payable to Sponsors	—	3,482
Unit-based compensation	340	460
Changes in operating assets and liabilities:		
Accounts receivable	(813)	(3,521)
Due from affiliate	(1,938)	—
Other assets	541	571
Trade accounts payable	2,477	(1,671)
Change in deferred revenue	2,686	3,184
Ad valorem taxes payable	(3,766)	875
Other current liabilities	(1,014)	(2,751)
Other noncurrent liabilities	(9)	—
Net cash provided by operating activities	21,686	16,605
Cash flows from investing activities:		
Capital expenditures	(21,339)	(20,577)
Net cash used in investing activities	(21,339)	(20,577)
Cash flows from financing activities:		
Distributions to unitholders	(20,425)	—
Borrowings under revolving credit facility	15,000	—
Initial public offering costs	—	(579)
Net cash used in financing activities	(5,425)	(579)
Net change in cash and cash equivalents	(5,078)	(4,551)
Cash and cash equivalents, beginning of period	7,895	15,462
Cash and cash equivalents, end of period	\$2,817	\$10,911

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

Table of Contents

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (continued)

	Three months ended March 31,	
	2013	2012
	(In thousands)	
Supplemental Schedule of Investing and Financing Activities:		
Cash interest paid	\$1,889	\$1,695
Capitalized interest	(493) (1,321
Interest paid (net of capitalized interest)	\$1,396	\$374
Cash paid for taxes	\$—	\$—
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Capital expenditures in trade accounts payable (period-end accruals)	\$3,684	\$5,629
Pay-in-kind interest on promissory notes payable to Sponsors	—	4,047
Unit-based compensation	340	460
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.		

Table of Contents

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS