Enable Midstream Partners, LP
Form 10-Q
November 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
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 No. 1-36413

ENABLE MIDSTREAM PARTNERS, LP
(Exact name of registrant as specified in its charter)

Delaware	72-1252419
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Leadership Square
211 North Robinson Avenue
Suite 150
Oklahoma City, Oklahoma 73102
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (405) 525-7788

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. þ 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). þ 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	þ (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 þ No

As of October 16, 2015, there were 214,534,491 common units and 207,855,430 subordinated units outstanding.

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GLOSSARY

Adjusted EBITDA.	Net income from continuing operations before interest expense, income tax expense, depreciation and amortization expense and certain other items management believes affect the comparability of operating results.
ArcLight.	ArcLight Capital Partners, LLC, a Delaware limited liability company, its affiliated entities ArcLight Energy Partners Fund V, L.P., ArcLight Energy Partners Fund IV, L.P., Bronco Midstream Partners, L.P., Bronco Midstream Infrastructure LLC and Enogex Holdings LLC, and their respective general partners and subsidiaries.
Annual Report.	Annual Report on Form 10-K for the year ended December 31, 2014.
ASU.	Accounting Standards Update.
Barrel.	42 U.S. gallons of petroleum products.
Bbl.	Barrel.
Bbl/d.	Barrels per day.
Bcf/d.	Billion cubic feet per day.
Btu.	British thermal unit. When used in terms of volume, Btu refers to the amount of natural gas required to raise the temperature of one pound of water by one degree Fahrenheit at one atmospheric pressure.
CenterPoint Energy.	CenterPoint Energy, Inc., a Texas corporation, and its subsidiaries, other than Enable Midstream Partners, LP.
Condensate.	A natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.
EGT.	Enable Gas Transmission, LLC, a wholly owned subsidiary of the Partnership that operates a 5,946-mile interstate pipeline that provides natural gas transportation and storage services to customers principally in the Anadarko, Arkoma and Ark-La-Tex basins in Oklahoma, Texas, Arkansas, Louisiana and Kansas.
Enable GP.	Enable GP, LLC, a Delaware limited liability company and the general partner of Enable Midstream Partners, LP.
Enable Midstream Services.	Enable Midstream Services, LLC, a wholly owned subsidiary of Enable Midstream Partners, LP.
Enable Oklahoma.	Enable Oklahoma Intrastate Transmission, LLC, formerly Enogex LLC, a wholly owned subsidiary of the Partnership that operates a 2,151-mile intrastate pipeline that provides natural gas transportation and storage services to customers in Oklahoma.
Enogex.	Enogex LLC, a Delaware limited liability company.
Exchange Act.	Securities Exchange Act of 1934, as amended.
FASB.	Financial Accounting Standards Board.
FERC.	Federal Energy Regulatory Commission.
Fractionation.	The separation of the heterogeneous mixture of extracted NGLs into individual components for end-use sale.
GAAP.	Generally accepted accounting principles in the United States.
Gas imbalance.	The difference between the actual amounts of natural gas delivered from or received by a pipeline, as compared to the amounts scheduled to be delivered or received.
General partner.	Enable GP, LLC, a Delaware limited liability company, the general partner of Enable Midstream Partners, LP.
Gross margin.	Total revenues minus cost of natural gas and natural gas liquids, excluding depreciation and amortization.
LIBOR.	London Interbank Offered Rate.
MBbl/d.	Thousand barrels per day.
MFA.	Master Formation Agreement dated March 14, 2013.

MMcf.	Million cubic feet of natural gas.
MMcf/d.	Million cubic feet per day.
MRT.	Enable Mississippi River Transmission, LLC, a wholly owned subsidiary of the Partnership that operates a 1,665-mile interstate pipeline that provides natural gas transportation and storage services principally in Texas, Arkansas, Louisiana, Missouri and Illinois.

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NGLs.	Natural gas liquids, which are the hydrocarbon liquids contained within natural gas including condensate.
NYMEX.	New York Mercantile Exchange.
Offering.	Initial public offering of Enable Midstream Partners, LP.
OGE Energy.	OGE Energy Corp., an Oklahoma corporation, and its subsidiaries, other than Enable Midstream Partners, LP.
Partnership.	Enable Midstream Partners, LP, and its subsidiaries.
Revolving Credit Facility.	$1.75 billion senior unsecured revolving credit facility.
SCOOP.	South Central Oklahoma Oil Province.
SEC.	Securities and Exchange Commission.
Securities Act.	Securities Act of 1933, as amended.
SESH.	Southeast Supply Header, LLC, in which the Partnership owns a 50% interest as of September 30, 2015, that operates a 286-mile interstate natural gas pipeline from Perryville, Louisiana, to southeastern Alabama near the Gulf Coast.
TBtu.	Trillion British thermal units.
TBtu/d.	Trillion British thermal units per day.
Term Loan Facility.	$450 million unsecured term loan facility.
WTI.	West Texas Intermediate.
2019 Notes.	$500 million 2.400% senior notes due 2019.
2024 Notes.	$600 million 3.900% senior notes due 2024.
2044 Notes.	$550 million 5.000% senior notes due 2044.

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FORWARD-LOOKING STATEMENTS

Some of the information in this report may contain forward-looking statements. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. Words such as “could,” “will,” “should,” “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “p “anticipate,” “believe,” “project,” “budget,” “potential,” or “continue,” and similar expressions are used to identify forward-loo statements. Without limiting the generality of the foregoing, forward-looking statements contained in this report include our expectations of plans, strategies, objectives, growth and anticipated financial and operational performance, including revenue projections, capital expenditures and tax position. Forward-looking statements can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, when considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report and in our Annual Report on Form 10-K for the year ended December 31, 2014 (Annual Report). Those risk factors and other factors noted throughout this report and in our Annual Report could cause our actual results to differ materially from those disclosed in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- changes in general economic conditions;
- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the supply and demand for natural gas, NGLs, crude oil and midstream services;
- our ability to successfully implement our business plan;
- our ability to complete internal growth projects on time and on budget;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to transporting, storing and gathering natural gas, NGLs, crude oil and midstream products;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- large customer defaults;
- changes in the availability and cost of capital;
- changes in tax status;
- the effects of existing and future laws and governmental regulations;
- changes in insurance markets impacting costs and the level and types of coverage available;
- the timing and extent of changes in commodity prices;
- the suspension, reduction or termination of our customers’ obligations under our commercial agreements;
- disruptions due to equipment interruption or failure at our facilities, or third-party facilities on which our business is dependent;
- the effects of future litigation; and
- other factors set forth in this report and our other filings with the SEC, including our Annual Report.

Forward-looking statements speak only as of the date on which they are made. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ENABLE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions, except per unit data)			
Revenues (including revenues from affiliates (Note 12)):				
Product sales	$357	$539	$1,043	$1,839
Service revenue	289	264	809	793
Total Revenues	646	803	1,852	2,632
Cost and Expenses (including expenses from affiliates (Note 12)):				
Cost of natural gas and natural gas liquids (excluding depreciation and amortization shown separately)	287	439	856	1,550
Operation and maintenance	130	128	391	383
Depreciation and amortization	84	69	233	205
Impairments (Note 6)	1,105	1	1,105	1
Taxes other than income taxes	15	14	45	41
Total Cost and Expenses	1,621	651	2,630	2,180
Operating (Loss) Income	(975)	152	(778)	452
Other Income (Expense):				
Interest expense (including expenses from affiliates (Note 12))	(23)	(20)	(66)	(50)
Equity in earnings of equity method affiliates	7	5	21	12
Other, net	—	3	2	(2)
Total Other Income (Expense)	(16)	(12)	(43)	(40)
(Loss) Income Before Income Taxes	(991)	140	(821)	412
Income tax expense	—	1	2	2
Net (Loss) Income	$(991)	$139	$(823)	$410
Less: Net (loss) income attributable to noncontrolling interest	(6)	—	(6)	2
Net (Loss) Income attributable to Enable Midstream Partners, LP	$(985)	$139	$(817)	$408
Limited partners' interest in net (loss) income attributable to Enable Midstream Partners, LP (Note 3)	$(985)	139	$(817)	$408
Basic and diluted (loss) earnings per limited partner unit (Note 3)				
Common units	$(2.33)	$0.33	$(1.93)	$1.00
Subordinated units	$(2.34)	$0.33	$(1.94)	$0.98
Basic and diluted weighted average number of outstanding limited partner units (Note 3)				
Common units	214	214	214	281
Subordinated units	208	208	208	128

See Notes to the Unaudited Condensed Consolidated Financial Statements

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ENABLE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Net (loss) income	$(991)	$139	$(823)	$410
Comprehensive (loss) income	(991)	139	(823)	410
Less: Comprehensive (loss) income attributable to noncontrolling interest	(6)	—	(6)	2
Comprehensive (loss) income attributable to Enable Midstream Partners, LP	$(985)	$139	$(817)	$408

See Notes to the Unaudited Condensed Consolidated Financial Statements

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ENABLE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2015	December 31, 2014
	(In millions)	
Current Assets:		
Cash and cash equivalents	$5	$12
Accounts receivable	291	254
Accounts receivable—affiliated companies	25	27
Inventory	52	63
Gas imbalances	16	45
Other current assets	38	37
Total current assets	427	438
Property, Plant and Equipment:		
Property, plant and equipment	11,127	10,464
Less accumulated depreciation and amortization	1,089	882
Property, plant and equipment, net	10,038	9,582
Other Assets:		
Intangible assets, net	346	357
Goodwill	—	1,068
Investment in equity method affiliates	341	348
Other	49	44
Total other assets	736	1,817
Total Assets	$11,201	$11,837
Current Liabilities:		
Accounts payable	$206	$275
Accounts payable—affiliated companies	12	38
Short-term debt	432	253
Taxes accrued	54	23
Gas imbalances	17	13
Other	83	69
Total current liabilities	804	671
Other Liabilities:		
Accumulated deferred income taxes, net	10	9
Notes payable—affiliated companies	363	363
Regulatory liabilities	18	16
Other	21	27
Total other liabilities	412	415
Long-Term Debt	2,374	1,928
Commitments and Contingencies (Note 13)		
Partners’ Capital:		
Common units (214,534,491 issued and outstanding at September 30, 2015 and 214,417,908 issued and outstanding at December 31, 2014, respectively)	3,747	4,353
Subordinated units (207,855,430 issued and outstanding at September 30, 2015 and 207,855,430 issued and outstanding at December 31, 2014, respectively)	3,839	4,439
Total partners' capital attributable to Enable Midstream Partners, LP Partners’ Capital	7,586	8,792
Noncontrolling interest	25	31
Total Partners’ Capital	7,611	8,823

Total Liabilities and Partners’ Capital	$11,201	$11,837

See Notes to the Unaudited Condensed Consolidated Financial Statements

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ENABLE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2015	2014
	(In millions)	
Cash Flows from Operating Activities:		
Net (loss) income	$(823)	$410
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	233	205
Deferred income taxes	1	(1)
Impairments	1,105	1
Loss on sale/retirement of assets	2	4
Equity in earnings of equity method affiliates, net of distributions	5	—
Equity based compensation	7	9
Amortization of debt costs and discount (premium)	(2)	(1)
Changes in other assets and liabilities:		
Accounts receivable, net	(37)	(11)
Accounts receivable—affiliated companies	2	—
Inventory	11	6
Gas imbalance assets	29	(25)
Other current assets	(1)	(2)
Other assets	(5)	10
Accounts payable	(56)	(91)
Accounts payable—affiliated companies	(26)	(5)
Gas imbalance liabilities	4	(1)
Other current liabilities	45	50
Other liabilities	(3)	3
Net cash provided by operating activities	491	561
Cash Flows from Investing Activities:		
Capital expenditures	(654)	(586)
Acquisitions, net of cash acquired	(80)	—
Proceeds from sale of assets	1	—
Return of investment in equity method affiliates	11	198
Investment in equity method affiliates	(8)	(187)
Other, net	—	2
Net cash used in investing activities	(730)	(573)
Cash Flows from Financing Activities:		
Repayment of long term debt	—	(1,500)
Proceeds from long term debt, net of issuance costs	450	1,635
Proceeds from revolving credit facility	275	115
Repayment of revolving credit facility	(275)	(487)
Increase in short term debt	179	95
Capital contributions from partners	—	464
Distributions to partners	(397)	(400)
Net cash provided by (used in) financing activities	232	(78)

Net Decrease in Cash and Cash Equivalents	(7)	(90)
Cash and Cash Equivalents at Beginning of Period	12	108
Cash and Cash Equivalents at End of Period	$5	$18

See Notes to the Unaudited Condensed Consolidated Financial Statements

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ENABLE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF
ENABLE MIDSTREAM PARTNERS, LP PARTNERS' CAPITAL
(Unaudited)

	Partners' Capital						
	Common Units		Subordinated Units		Total Enable Midstream Partners, LP Partners' Capital	Noncontrolling Interest	Total Partners' Capital
	Units	Value	Units	Value	Value	Value	Value
	(In millions)						
Balance as of December 31, 2013	390	$8,148	—	$—	$8,148	$ 33	$8,181
Net income	—	290	—	118	408	2	410
Issuance of IPO common units	25	464	—	—	464	—	464
Conversion to subordinated units	(208)	(4,372)	208	4,372	—	—	$—
Issuance of common units upon interest acquisition of SESH	6	161	—	—	161	—	$161
Distributions to partners	—	(345)	—	(52)	(397)	(3)	$(400)
Equity based compensation	1	10	—	—	10	—	$10
Balance as of September 30, 2014	214	$4,356	208	$4,438	$8,794	$ 32	$8,826
Balance as of December 31, 2014	214	$4,353	208	$4,439	$8,792	$ 31	$8,823
Net (loss) income	—	(412)	—	(405)	(817)	(6)	(823)
Issuance of common units upon interest acquisition of SESH	—	1	—	—	1	—	1
Distributions to partners	—	(202)	—	(195)	(397)	—	(397)
Equity based compensation	—	7	—	—	7	$ —	7
Balance as of September 30, 2015	214	$3,747	208	$3,839	$7,586	$ 25	$7,611

See Notes to the Unaudited Condensed Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization

Enable Midstream Partners, LP (Partnership) is a Delaware limited partnership formed on May 1, 2013 by CenterPoint Energy, Inc. (CenterPoint Energy), OGE Energy Corp. (OGE Energy) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to the terms of the MFA. The Partnership is a large-scale, growth-oriented limited partnership formed to own, operate and develop strategically located natural gas and crude oil infrastructure assets. The Partnership's assets and operations are organized into two reportable segments: (i) Gathering and Processing, which primarily provides natural gas gathering, processing and fractionation services and crude oil gathering for our producer customers, and (ii) Transportation and Storage, which provides interstate and intrastate natural gas pipeline transportation and storage services primarily to natural gas producers, utilities and industrial customers. The natural gas gathering and processing assets are located in five states and serve natural gas production in the Anadarko, Arkoma and Ark-La-Tex basins. This segment also includes a crude oil gathering business in the Bakken Shale formation, principally located in the Williston basin. The natural gas transportation and storage assets extend from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois.

The Partnership is controlled equally by CenterPoint Energy and OGE Energy, who each have 50% of the management rights of Enable GP. Enable GP was established by CenterPoint Energy and OGE Energy to govern the Partnership and has no other operating activities. Enable GP is governed by a board made up of an equal number of representatives designated by each of CenterPoint Energy and OGE Energy, along with the independent board members CenterPoint Energy and OGE Energy mutually agreed to appoint. Based on the 50/50 management ownership, with neither company having control, CenterPoint Energy and OGE Energy do not consolidate their interests in the Partnership. CenterPoint Energy and OGE Energy also own a 40% and 60% interest, respectively, in the incentive distribution rights held by Enable GP. As of September 30, 2015, CenterPoint Energy held approximately 55.4% of the limited partner interests in the Partnership, or 94,151,707 common units and 139,704,916 subordinated units, and OGE Energy held approximately 26.3% of the limited partner interests in the Partnership, or 42,832,291 common units and 68,150,514 subordinated units.

For the period from December 31, 2013 through May 29, 2014, the financial statements reflect a 24.95% interest in SESH. For the period of May 30, 2014 through June 29, 2015, the financial statements reflect a 49.90% interest in SESH. On June 12, 2015, CenterPoint Energy exercised its put right with respect to a 0.1% interest in SESH. Pursuant to the put right, on June 30, 2015, CenterPoint Energy contributed its remaining 0.1% interest in SESH to the Partnership in exchange for 25,341 common units representing limited partner interests in the Partnership. As of September 30, 2015, the Partnership owned a 50% interest in SESH. See Note 7 for further discussion of SESH.

On April 16, 2014, the Partnership completed the Offering of 25,000,000 common units, representing limited partner interests in the Partnership, at a price to the public of $20.00 per common unit. The Partnership received net proceeds of $464 million from the sale of the common units, after deducting underwriting discounts and commissions, the structuring fee and offering expenses. In connection with the Offering, 139,704,916 of CenterPoint Energy's common units and 68,150,514 of OGE Energy's common units were converted into subordinated units.

Basis of Presentation

The accompanying condensed consolidated financial statements and related notes of the Partnership have been prepared pursuant to the rules and regulations of the SEC and GAAP. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The accompanying condensed consolidated financial statements and related notes should be read in conjunction with the combined and consolidated financial statements and related notes included in our Annual Report.

These condensed consolidated financial statements and the related financial statement disclosures reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. Amounts reported in the Partnership's Condensed Consolidated Statements of Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests.

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For a description of the Partnership’s reportable segments, see Note 15.

Revenue Recognition

The Partnership generates the majority of its revenues from midstream energy services, including natural gas gathering, processing, transportation and storage and crude oil gathering. The Partnership performs these services under various contractual arrangements, which include fee-based contract arrangements and arrangements pursuant to which it purchases and resells commodities in connection with providing the related service and earns a net margin for its fee. While the Partnership's transactions vary in form, the essential element of each transaction is the use of its assets to transport a product or provide a processed product to a customer. The Partnership reflects revenue as Product sales and Service revenue on the Condensed Consolidated Statements of Income as follows:

Product sales: Product sales represent the sale of natural gas, NGLs, crude oil and condensate where the product is purchased and used in connection with providing the Partnership's midstream services.

Service revenue: Service revenue represents all other revenue generated as a result of performing the Partnership's midstream services.

Revenues for gathering, processing, and transportation and storage services for the Partnership are recorded each month based on the current month’s estimated volumes, contracted prices (considering current commodity prices), historical seasonal fluctuations and any known adjustments. The estimates are reversed in the following month, and customers are billed on actual volumes and contracted prices. Gas sales are calculated on current-month nominations and contracted prices. Revenues associated with the production of NGLs are estimated based on current-month estimated production and contracted prices. These amounts are also reversed in the following month, and the customers are billed on actual production and contracted prices. Estimated revenues are reflected in Accounts Receivable or Accounts Receivable-affiliated companies, as appropriate, on the Consolidated Balance Sheets and in Total Revenues on the Combined and Consolidated Statements of Income.

The Partnership recognizes revenue from natural gas gathering, processing, transportation and storage and crude oil gathering services to third parties as services are provided. Revenue associated with NGLs is recognized when the production is sold. The Partnership records deferred revenue when it receives consideration from a third party before achieving certain criteria that must be met for revenue to be recognized in accordance with GAAP.

Cost of natural gas and natural gas liquids represents cost of our natural gas and natural gas liquids purchased exclusive of depreciation and Operation and maintenance expenses and consists primarily of product and fuel costs. Operation and maintenance expense represents the cost of our service related revenues and consists primarily of labor expenses, lease costs, utility costs, insurance premiums and repairs and maintenance expenses. Any Operation and maintenance expenses associated with product sales are immaterial.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

As a limited partnership, the Partnership’s earnings are not subject to income tax (other than Texas state margin taxes and taxes associated with the Partnership's corporate subsidiary) and are taxable at the individual partner level, with the exception of Enable Midstream Services, LLC, a wholly owned subsidiary (Enable Midstream Services). The Partnership and its subsidiaries are pass-through entities for federal income tax purposes. For these entities, all income, expenses, gains, losses and tax credits generated flow through to their owners and, accordingly, do not result in a provision for income taxes in the consolidated financial statements.

Fair Value - Monarch Acquisition

On April 22, 2015, Enable entered into an agreement with Monarch Natural Gas, LLC, pursuant to which Enable agreed to acquire approximately 106 miles of gathering pipeline, approximately 5,000 horsepower of associated compression, right-of-ways and certain other midstream assets that provide natural gas gathering services in the Greater Granite Wash area of Texas. The

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transaction closed on May 1, 2015. The aggregate purchase price for this transaction was approximately $80 million, which was funded from cash generated from operations and borrowings under our Revolving Credit Facility.

The acquisition was accounted for as a business combination. During the third quarter of 2015, the Partnership, with the assistance of a third-party valuation expert, finalized the purchase price allocation as of May 1, 2015.

Purchase price allocation (in millions):	
Property, plant and equipment	$ 51
Intangibles	10
Goodwill	19
Total	$ 80

The Partnership recognized intangible assets related to customer relationships. The acquired intangible assets will be amortized on a straight-line basis over the estimated customer contract life of approximately 15 years. Goodwill recognized from the acquisition primarily relates to the value created from additional growth opportunities and greater operating leverage in the Anadarko Basin. See Note 6 for further information related to the Partnership's goodwill impairment. The Partnership incurred less than $1 million of acquisition costs associated with this transaction, which are included in Operation and maintenance expense in the Condensed Consolidated Statement of Income.

Reverse Unit Split

On March 25, 2014, the Partnership effected a 1 for 1.279082616 reverse unit split. All unit and per unit amounts presented within the condensed consolidated financial statements reflect the effects of the reverse unit split.

(2) New Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)," and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and is to be applied retrospectively, with early application not permitted.

In August 2015, FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606)—Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also proposed permitting early adoption of the standard, but not before the original effective date of December 15, 2016. The Partnership is currently evaluating the impact, if any, the adoption of this standard will have on our Consolidated Financial Statements and related disclosures.

Consolidation

In February 2015, FASB issued ASU No. 2015-02, “Consolidation,” to improve consolidation guidance for certain types of legal entities. The guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for certain money market funds. These provisions are effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods, with early adoption permitted. These provisions may also be adopted retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to partners' capital as of the beginning of the first year restated. The Partnership is currently evaluating the effect that adopting this new accounting standard will have on our Consolidated Financial Statements and related disclosures.

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Presentation of Debt Issuance Costs

In April 2015, FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Partnership is currently evaluating the impact the adoption of this standard will have on our Consolidated Financial Statements and related disclosures. As of September 30, 2015 and December 31, 2014, the Partnership had unamortized debt expense of $18 million and $17 million, respectively, a portion of which would have been classified as a reduction of long-term debt in our condensed consolidated balance sheets had we adopted this standard in the third quarter of 2015. The Partnership does not expect a material impact on its results of operations upon adoption of ASU 2015-03.

In August 2015, the FASB issued ASU No. 2015-15, "Interest—Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting." This ASU adds SEC paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015, Emerging Issues Task Force meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements to this topic. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Partnership does not expect a material impact on its results of operations upon adoption of ASU 2015-15.

Customer's Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This standard provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Partnership is currently evaluating the impact, if any, of the adoption of this standard will have on our Consolidated Financial Statements and related disclosures.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory." Under this ASU, inventory will be measured at the “lower of cost and net realizable value,” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Partnership is evaluating the provisions of this statement, including in which period to adopt this statement, and has not determined what impact the adoption of ASU 2015-11 will have on the Partnership's Consolidated Financial Statements and related disclosures.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations—Simplifying the Accounting for Measurement-Period Adjustments." Under this ASU, acquirers are required to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Acquirers are required to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2016. The amendments in this update should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Partnership is currently evaluating the impact, if any, the adoption of this standard will have on our Consolidated Financial Statements and related disclosures.

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(3) Earnings Per Limited Partner Unit

The following table illustrates the Partnership's calculation of earnings per unit for common and subordinated limited partner units:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions, except per unit data)			
Net (loss) income attributable to Enable Midstream Partners, LP	$(985)	$139	$(817)	$408
Less general partner interest in net (loss) income	—	—	—	—
Limited partner interest in net (loss) income attributable to Enable Midstream Partners, LP	$(985)	$139	$(817)	$408
Net (loss) income allocable to common units	$(499)	$71	$(414)	$282
Net (loss) income allocable to subordinated units	(486)	68	(403)	126
Limited partner interest in net (loss) income attributable to Enable Midstream Partners, LP	$(985)	$139	$(817)	$408
Basic and diluted weighted average number of outstanding limited partner units				
Common units	214	214	214	281
Subordinated units (1)	208	208	208	128
Total	422	422	422	409
Basic and diluted (loss) earnings per limited partner unit				
Common units	$(2.33)	$0.33	$(1.93)	$1.00
Subordinated units (1)	$(2.34)	$0.33	$(1.94)	$0.98

(1) Basic and diluted earnings per subordinated unit reflect net (loss) income attributable to the Partnership for periods subsequent to its Offering, as no subordinated units were outstanding prior to this date.

There was no dilutive effect of unit-based awards during the three or nine months ended September 30, 2015 and 2014.

(4) Partners' Capital

In accordance with the Partnership's First Amended and Restated Agreement of Limited Partnership, on February 14, 2014, May 14, 2014 and August 14, 2014, the Partnership distributed $114 million, $155 million and $22 million to the unitholders of record as of January 1, 2014, April 1, 2014, and April 1, 2014, respectively.

The Partnership's Second Amended and Restated Agreement of Limited Partnership requires that, within 45 days subsequent to the end of each quarter, the Partnership distribute all of its available cash (as defined in the Second Amended and Restated Agreement of Limited Partnership) to unitholders of record on the applicable record date. The Partnership did not make distributions for the period that began on April 1, 2014 and ended on April 15, 2014, the day prior to the closing of the Offering, other than the required distributions to CenterPoint Energy, OGE Energy, and ArcLight under the First Amended and Restated Agreement of Limited Partnership.

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The Partnership paid or has authorized payment of the following cash distributions under the Second Amended and Restated Agreement of Limited Partnership during 2014 and 2015 (in millions, except for per unit amounts):

Quarter Ended	Record Date	Payment Date	Per Unit Distribution	Total Cash Distribution
September 30, 2015 (1)	November 3, 2015	November 13, 2015	$0.318	$134
June 30, 2015	August 3, 2015	August 13, 2015	$0.316	$134
March 31, 2015	May 5, 2015	May 15, 2015	$0.3125	$132
December 31, 2014	February 4, 2015	February 13, 2015	$0.30875	$130
September 30, 2014	November 4, 2014	November 14, 2014	$0.3025	$128
June 30, 2014 (2)	August 4, 2014	August 14, 2014	$0.2464	$104

(1) The board of directors of Enable GP declared this $0.318 per common unit cash distribution on October 22, 2015, to be paid on November 13, 2015, to unitholders of record at the close of business on November 3, 2015.

(2) The quarterly distribution for three months ended June 30, 2014 was prorated for the period beginning immediately after the closing of the Partnership's Offering, April 16, 2014 through June 30, 2014.

General Partner Interest and Incentive Distribution Rights

Enable GP owns a non-economic general partner interest in the Partnership and thus will not be entitled to distributions that the Partnership makes prior to the liquidation of the Partnership in respect of such general partner interest. Enable GP currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 50.0%, of the cash the Partnership distributes from operating surplus (as defined in our partnership agreement) in excess of $0.330625 per unit per quarter. The maximum distribution of 50.0% does not include any distributions that Enable GP or its affiliates may receive on common units or subordinated units that they own.

Subordinated Units

All subordinated units are held by CenterPoint Energy and OGE Energy. These units are considered subordinated because during the subordination period (as defined in our partnership agreement), the common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to $0.2875 per common unit, which amount is defined in the partnership agreement as the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed “subordinated” because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received the minimum quarterly distribution plus any arrearages from prior quarters. Furthermore, no arrearages will be paid on the subordinated units.

Subordination Period

The subordination period began on the closing date of the Offering and will extend until the first business day following the distributions of available cash from operating surplus (as defined in the partnership agreement) on each of the outstanding common units and subordinated units equal to or exceeding $1.15 per unit (the annualized minimum quarterly distribution) for each of the three consecutive, non-overlapping four-quarter periods immediately preceding June 30, 2017. Also, if the Partnership has paid distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equal to or exceeding $1.725 per unit (150% of the annualized minimum quarterly distribution) and the related distribution on the incentive distribution rights, for any four-consecutive-quarter period ending on or after June 30, 2015, the subordination period will terminate.

(5) Intangible Assets, Net

The Partnership has $411 million in intangible assets associated with customer relationships due to the acquisition of Enogex and assets acquired from Monarch Natural Gas, LLC. The Partnership determined that intangible assets related to customer

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