

Enable Midstream Partners, LP
Form 10-Q
August 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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 No. 1-36413

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

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

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

(405) 525-7788
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, a 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

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

As of July 13, 2018, there were 433,068,427 common units outstanding.

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AVAILABLE INFORMATION

Our website is www.enablemidstream.com. On the investor relations tab of our website, <http://investors.enablemidstream.com>, we make available free of charge a variety of information to investors. Our goal is to maintain the investor relations tab of our website as a portal through which investors can easily find or navigate to pertinent information about us, including but not limited to:

our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC;

press releases on quarterly distributions, quarterly earnings, and other developments;

governance information, including our governance guidelines, committee charters, and code of ethics and business conduct;

information on events and presentations, including an archive of available calls, webcasts, and presentations;

news and other announcements that we may post from time to time that investors may find useful or interesting; and

opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

Information contained on our website or any other website is not incorporated by reference into this report and does not constitute a part of this report.

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GLOSSARY OF TERMS

2015 Term

Loan Agreement. \$450 million unsecured term loan agreement.

2019 Notes.

\$500 million aggregate principal amount of the Partnership's 2.400% senior notes due 2019.

2024 Notes.

\$600 million aggregate principal amount of the Partnership's 3.900% senior notes due 2024.

2027 Notes.

\$700 million aggregate principal amount of the Partnership's 4.400% senior notes due 2027.

2028 Notes.

\$800 million aggregate principal amount of the Partnership's 4.950% senior notes due 2028.

2044 Notes.

\$550 million aggregate principal amount of the Partnership's 5.000% senior notes due 2044.

Adjusted EBITDA.

A non-GAAP measure calculated as net income attributable to limited partners plus depreciation and amortization expense, interest expense, net of interest income, income tax expense, distributions received from equity method affiliate in excess of equity earnings, non-cash equity-based compensation, changes in fair value of derivatives, certain other non-cash gains and losses (including gains and losses on sales of assets and write-downs of materials and supplies) and impairments, less the noncontrolling interest allocable to Adjusted EBITDA.

Adjusted interest expense.

A non-GAAP measure calculated as interest expense plus amortization of premium on long-term debt and capitalized interest on expansion capital, less amortization of debt costs and discount on long-term debt.

Annual Report.

Annual Report on Form 10-K for the year ended December 31, 2017.

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.

ASC.

Accounting Standards Codification.

ASU.

Accounting Standards Update.

ATM Program.

The offer and sale, from time to time, of common units representing limited partner interest having an aggregate offering price of up to \$200 million in quantities, by sales methods and at prices determined by market conditions and other factors at the time of such sales, pursuant to that certain ATM Equity Offering Sales Agreement, entered into on May 12, 2017.

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.

Condensate.

A natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.

DCF.

Distributable Cash Flow, a non-GAAP measure calculated as Adjusted EBITDA, as further adjusted for Series A Preferred Unit distributions, distributions for phantom and performance units, Adjusted interest expense, maintenance capital expenditures and current income taxes.

Distribution coverage ratio.

A non-GAAP measure calculated as DCF divided by distributions related to common and subordinated unitholders.

DRIP.

Distribution Reinvestment Plan entered into on June 23, 2016, which offers owners of our common units the ability to purchase additional common units by reinvesting all or a portion of the cash distributions paid to them on their common units.

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- EGT. Enable Gas Transmission, LLC, a wholly owned subsidiary of the Partnership that operates an approximately 5,900-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.
- EOIT. Enable Oklahoma Intrastate Transmission, LLC, formerly Enogex LLC, a wholly owned subsidiary of the Partnership that operates an approximately 2,200-mile intrastate pipeline that provides natural gas transportation and storage services to customers in Oklahoma.
- EOIT Senior Notes. \$250 million 6.25% senior notes due 2020.

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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.
Gross margin.	A non-GAAP measure calculated as Total revenues minus Cost of natural gas and natural gas liquids, excluding depreciation and amortization.
LDC.	Local distribution company involved in the delivery of natural gas to consumers within a specific geographic area.
LIBOR.	London Interbank Offered Rate.
March 31 Quarterly Report	Quarterly Report on Form 10-Q for the period ended March 31, 2018.
MBbl.	Thousand barrels.
MBbl/d.	Thousand barrels per day.
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 1,600-mile interstate pipeline that provides natural gas transportation and storage services principally in Texas, Arkansas, Louisiana, Missouri and Illinois.
NGLs.	Natural gas liquids, which are the hydrocarbon liquids contained within natural gas including condensate.
NYMEX.	New York Mercantile Exchange.
OGE Energy.	OGE Energy Corp., an Oklahoma corporation, and its subsidiaries.
Partnership.	Enable Midstream Partners, LP, and its subsidiaries.
Partnership Agreement.	Fifth Amended and Restated Agreement of Limited Partnership of Enable Midstream Partners, LP dated as of November 14, 2017.
Revolving Credit Facility.	\$1.75 billion senior unsecured revolving credit facility.
SEC.	Securities and Exchange Commission.
Series A Preferred Units.	10% Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred Units representing limited partner interests in the Partnership.
SESH.	Southeast Supply Header, LLC, in which the Partnership owns a 50% interest, that operates an approximately 290-mile interstate natural gas pipeline from Perryville, Louisiana to southwestern Alabama near the Gulf Coast.
TBtu.	Trillion British thermal units.
TBtu/d.	Trillion British thermal units per day.
WTI.	West Texas Intermediate.

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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,” “plan,” “anticipate,” “believe,” “project,” “budget,” “potential,” or “continue,” and similar expressions are used to identify forward-looking 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 our Annual Report and in our March 31 Quarterly Report. Those risk factors and other factors noted throughout this report and in our Annual Report and in our March 31 Quarterly 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;
- strategic decisions by CenterPoint Energy and OGE Energy regarding their ownership of us and Enable GP;
- operating hazards and other risks incidental to transporting, storing, gathering and processing natural gas, NGLs, crude oil and midstream products;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- the timing and extent of changes in labor and material prices;
- 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 and in our March 31 Quarterly 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 June 30, 2018		Six Months Ended June 30, 2018	
	2017	2018	2017	2018
	(In millions, except per unit data)			
Revenues (including revenues from affiliates (Note 12)):				
Product sales	\$501	\$354	\$944	\$740
Service revenues	304	272	609	552
Total Revenues	805	626	1,553	1,292
Cost and Expenses (including expenses from affiliates (Note 12)):				
Cost of natural gas and natural gas liquids (excluding depreciation and amortization shown separately)	444	279	819	587
Operation and maintenance	97	97	191	186
General and administrative	26	23	53	48
Depreciation and amortization	96	89	192	177
Taxes other than income tax	16	16	33	32
Total Cost and Expenses	679	504	1,288	1,030
Operating Income	126	122	265	262
Other Income (Expense):				
Interest expense	(36)	(31)	(69)	(58)
Equity in earnings of equity method affiliate	7	7	13	14
Other, net	(2)	(1)	—	—
Total Other Expense	(31)	(25)	(56)	(44)
Income Before Income Tax	95	97	209	218
Income tax expense	—	1	—	2
Net Income	\$95	\$96	\$209	\$216
Less: Net income attributable to noncontrolling interest	—	1	—	1
Net Income Attributable to Limited Partners	\$95	\$95	\$209	\$215
Less: Series A Preferred Unit distributions (Note 6)	9	9	18	18
Net Income Attributable to Common and Subordinated Units (Note 5)	\$86	\$86	\$191	\$197
Basic earnings per unit (Note 5)				
Common units	\$0.20	\$0.20	\$0.44	\$0.45
Subordinated units	\$—	\$0.20	\$—	\$0.46
Diluted earnings per unit (Note 5)				
Common units	\$0.20	\$0.20	\$0.44	\$0.45
Subordinated units	\$—	\$0.20	\$—	\$0.46

See Notes to the Unaudited Condensed Consolidated Financial Statements

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

	June 30, 2018	December 31, 2017
	(In millions)	
Current Assets:		
Cash and cash equivalents	\$7	\$ 5
Restricted cash (Note 1)	14	14
Accounts receivable, net of allowance for doubtful accounts (Note 1)	287	277
Accounts receivable—affiliated companies	21	18
Inventory	41	40
Gas imbalances	29	37
Other current assets	33	25
Total current assets	432	416
Property, Plant and Equipment:		
Property, plant and equipment	12,443	12,079
Less accumulated depreciation and amortization	1,880	1,724
Property, plant and equipment, net	10,563	10,355
Other Assets:		
Intangible assets, net	429	451
Goodwill	12	12
Investment in equity method affiliate	315	324
Other	41	35
Total other assets	797	822
Total Assets	\$11,792	\$ 11,593
Current Liabilities:		
Accounts payable	\$244	\$ 263
Accounts payable—affiliated companies	3	3
Current portion of long-term debt	499	450
Short-term debt	327	405
Taxes accrued	39	32
Gas imbalances	16	12
Other	130	114
Total current liabilities	1,258	1,279
Other Liabilities:		
Accumulated deferred income taxes, net	6	6
Regulatory liabilities	22	21
Other	54	38
Total other liabilities	82	65
Long-Term Debt	2,881	2,595
Commitments and Contingencies (Note 13)		
Partners' Equity:		
Series A Preferred Units (14,520,000 issued and outstanding at June 30, 2018 and December 31, 2017)	362	362
Common units (433,064,636 issued and outstanding at June 30, 2018 and 432,584,080 issued and outstanding at December 31, 2017, respectively)	7,198	7,280
Noncontrolling interest	11	12

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Total Partners' Equity	7,571	7,654
Total Liabilities and Partners' Equity	\$11,792	\$ 11,593

See Notes to the Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended June 30, 2018 2017 (In millions)	
Cash Flows from Operating Activities:		
Net income	\$209	\$216
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	192	177
Deferred income taxes	—	2
Loss on sale/retirement of assets	—	