SunCoke Energy Partners, L.P.
Form 10-Q
July 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-35782

SUNCOKE ENERGY PARTNERS, L.P.
(Exact name of Registrant as specified in its charter)

Delaware	35-2451470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1011 Warrenville Road, Suite 600
Lisle, Illinois 60532
(630) 824-1000
(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. ý 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). ý 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” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ý
Non-accelerated filer ¨(Do not check if a smaller reporting company)	Smaller reporting company ¨

Emerging growth company ý

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 Act). Yes ¨ No ý

The registrant had 46,223,704 common units outstanding at July 21, 2017.

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PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
SunCoke Energy Partners, L.P.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars and units in millions, except per unit amounts)			
Revenues				
Sales and other operating revenue	$200.6	$181.4	$396.2	$375.9
Costs and operating expenses				
Cost of products sold and operating expenses	149.4	128.6	284.8	262.8
Selling, general and administrative expenses	8.5	11.1	17.0	19.5
Depreciation and amortization expense	21.5	20.5	43.1	39.2
Total costs and operating expenses	179.4	160.2	344.9	321.5
Operating income	21.2	21.2	51.3	54.4
Interest expense, net	14.0	11.7	26.6	24.2
Loss (gain) on extinguishment of debt	19.9	(3.5)	19.9	(23.9)
(Loss) income before income tax (benefit) expense	(12.7)	13.0	4.8	54.1
Income tax (benefit) expense	(0.2)	0.4	149.0	1.0
Net (loss) income	(12.5)	12.6	(144.2)	53.1
Less: Net income (loss) attributable to noncontrolling interests	0.4	0.5	(2.0)	1.2
Net (loss) income attributable to SunCoke Energy Partners, L.P.	$(12.9)	$12.1	$(142.2)	$51.9
General partner's interest in net income (loss)	$1.2	$1.7	$(0.1)	$11.8
Limited partners' interest in net (loss) income	$(14.1)	$10.4	$(142.1)	$40.1
Net (loss) income per common unit (basic and diluted)	$(0.30)	$0.23	$(3.08)	$0.86
Weighted average common units outstanding (basic and diluted)	46.2	46.2	46.2	46.2

(See Accompanying Notes)
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SunCoke Energy Partners, L.P.
Consolidated Balance Sheets

	June 30, 2017	December 31, 2016
	(Unaudited)	
	(Dollars in millions)	
Assets		
Cash and cash equivalents	$23.5	$ 41.8
Receivables	45.9	39.7
Receivables from affiliate, net	2.1	—
Inventories	82.5	66.9
Other current assets	3.5	1.6
Total current assets	157.5	150.0
Properties, plants and equipment (net of accumulated depreciation of $390.1 million and $352.6 million at June 30, 2017 and December 31, 2016, respectively)	1,273.8	1,294.9
Goodwill	73.5	73.5
Other intangible assets, net	171.5	176.7
Deferred charges and other assets	0.7	0.9
Total assets	$1,677.0	$ 1,696.0
Liabilities and Equity		
Accounts payable	$66.8	$ 47.0
Accrued liabilities	11.5	11.7
Deferred revenue	12.0	2.5
Current portion of long-term debt and financing obligation	3.7	4.9
Interest payable	5.2	14.7
Payable to affiliate, net	—	4.7
Total current liabilities	99.2	85.5
Long-term debt and financing obligation	827.8	805.7
Deferred income taxes	186.7	37.9
Other deferred credits and liabilities	13.7	13.2
Total liabilities	1,127.4	942.3
Equity		
Held by public:		
Common units (issued 19,347,604 and 20,800,181 units at June 30, 2017 and December 31, 2016, respectively)	193.2	296.9
Held by parent:		
Common units (issued 26,876,100 and 25,415,696 units at June 30, 2017 and December 31, 2016, respectively)	317.1	410.3
General partner interest	28.0	32.1
Partners' capital attributable to SunCoke Energy Partners, L.P.	538.3	739.3
Noncontrolling interest	11.3	14.4
Total equity	549.6	753.7
Total liabilities and equity	$1,677.0	$ 1,696.0

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2017	2016
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net (loss) income	$(144.2)	$53.1
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	43.1	39.2
Deferred income tax expense	148.8	0.4
Loss (gain) on extinguishment of debt	19.9	(23.9)
Changes in working capital pertaining to operating activities:		
Receivables	(6.2)	5.3
Receivables (payables) from affiliate, net	(5.4)	9.4
Inventories	(15.6)	4.3
Accounts payable	12.0	5.3
Accrued liabilities	(0.2)	2.5
Deferred revenue	9.5	18.2
Interest payable	(9.5)	(2.2)
Other	(0.6)	(3.5)
Net cash provided by operating activities	51.6	108.1
Cash Flows from Investing Activities:		
Capital expenditures	(9.9)	(22.1)
Decrease in restricted cash	0.1	15.4
Other investing activities	—	2.1
Net cash used in investing activities	(9.8)	(4.6)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	620.6	—
Repayment of long-term debt	(532.2)	(47.0)
Repayment of financing obligation	(1.2)	—
Proceeds from revolving credit facility	128.0	20.0
Repayment of revolving credit facility	(200.0)	(20.0)
Debt issuance costs	(13.9)	—
Distributions to unitholders (public and parent)	(60.3)	(57.5)
Distributions to noncontrolling interest (SunCoke Energy, Inc.)	(1.1)	(1.9)
Capital contributions from SunCoke	—	8.4
Net cash used in financing activities	(60.1)	(98.0)
Net (decrease) increase in cash and cash equivalents	(18.3)	5.5
Cash and cash equivalents at beginning of period	41.8	48.6
Cash and cash equivalents at end of period	$23.5	$54.1
Supplemental Disclosure of Cash Flow Information		
Interest paid	$35.5	$28.3

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Consolidated Statement of Equity
(Unaudited)

	Common - Public	Common - SunCoke	General Partner - SunCoke	Noncontrolling Interest	Total
	(Dollars in millions)				
At December 31, 2016	$ 296.9	$ 410.3	$ 32.1	$ 14.4	$ 753.7
Partnership net loss	(63.8)	(78.3)	(0.1)	(2.0)	(144.2)
Distribution to unitholders, net of unit issuances	(24.5)	(30.3)	(4.0)	—	(58.8)
Distributions to noncontrolling interest	—	—	—	(1.1)	(1.1)
Public units acquired by SunCoke	(15.4)	15.4	—	—	—
At June 30, 2017	$ 193.2	$ 317.1	$ 28.0	$ 11.3	$ 549.6

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Notes to the Consolidated Financial Statements
1. General
Description of Business
SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us"), is a Delaware limited partnership formed in July 2012, which primarily produces coke used in the blast furnace production of steel. At June 30, 2017, we owned a 98 percent interest in Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown") and Gateway Energy and Coke Company, LLC ("Granite City"). The remaining 2 percent ownership interest in our three cokemaking facilities was owned by SunCoke Energy, Inc. ("SunCoke"). We also own a coal logistics business, which provides coal handling and/or mixing services to third-party customers as well as to our own cokemaking facilities and other SunCoke cokemaking facilities. Our coal logistics business consists of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT") and SunCoke Lake Terminal, LLC ("Lake Terminal"). At June 30, 2017, SunCoke, through a subsidiary, owned a 57 percent limited partnership interest in us and indirectly owned and controlled our general partner, which holds a 2.0 percent general partner interest in us and all of our incentive distribution rights ("IDR").
Organized in Delaware in 2012 and headquartered in Lisle, Illinois, we became a publicly-traded partnership in 2013 and our stock is listed on the New York Stock Exchange ("NYSE") under the symbol "SXCP."
Basis of Presentation
The accompanying unaudited consolidated financial statements included herein have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") for interim reporting. Certain information and disclosures normally included in financial statements have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In management's opinion, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. The results of operations for the periods ended June 30, 2017 are not necessarily indicative of the operating results for the full year. These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.
New Accounting Pronouncements
In May 2014, Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)," and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequently, the FASB has issued various ASUs to provide further clarification around certain aspects of ASC 606. This standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early adoption is permitted on a limited basis. Our implementation team has gained an understanding of the standard's revenue recognition model and is completing the analysis and documentation of our contract details for impacts under the new revenue recognition model. While we are currently evaluating the impact of the standard, we expect the timing of our revenue recognition to generally remain the same under the new standard on an annual basis. Deferred revenue at CMT may be recognized on a more accelerated basis during quarterly periods within the year based on facts and circumstances considered at each quarter under the new guidance. The Partnership expects to adopt this standard on January 1, 2018 using the modified retrospective method.
In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. It is effective for annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The standard requires the use of a modified retrospective transition method. A multi-disciplined implementation team has gained an understanding of the accounting and disclosure provisions of the standard and is in the process of analyzing the impacts to our business, including the development of new accounting processes to account for our leases and support the required disclosures. While we are still evaluating the impact of adopting this

standard, we expect upon adoption the right-of-use assets and lease liabilities, such as various plant equipment rentals and the lease of our corporate office space, will increase the reported assets and liabilities on our Consolidated Balance Sheets. The Partnership expects to adopt this standard on January 1, 2019.

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2. Related Party Transactions and Agreements

Transactions with Affiliate

Our coal logistics business provides coal handling and mixing services to certain SunCoke cokemaking operations. Coal Logistics recorded revenues derived from services provided to SunCoke's cokemaking operations of $2.4 million and $4.6 million for the three and six months ended June 30, 2017, respectively, and $2.7 million and $5.3 million for the three and six months ended June 30, 2016, respectively.

Allocated Expenses

SunCoke charges us for all direct costs and expenses incurred on our behalf and allocated costs associated with support services provided to our operations. Allocated expenses from SunCoke for general corporate and operations support costs totaled $7.0 million and $13.9 million for the three and six months ended June 30, 2017, respectively, and $6.9 million and $13.9 million for three and six months ended June 30, 2016, respectively, and were included in selling, general and administrative expenses on the Consolidated Statements of Operations. These costs include legal, accounting, tax, treasury, engineering, information technology, insurance, employee benefit costs, communications, human resources, and procurement. Corporate allocations are recorded in accordance with the terms of our omnibus agreement with SunCoke and our general partner.

During the second quarter of 2017, the Partnership reimbursed SunCoke $7.0 million and $1.4 million for previously deferred corporate allocated costs and IDR cash distributions, respectively. These amounts were included in payable to affiliate, net on the Consolidated Balance Sheets as of December 31, 2016.

Omnibus Agreement

In connection with the closing of our initial public offering on January 24, 2013 ("IPO"), we entered into an omnibus agreement with SunCoke and our general partner that addresses certain aspects of our relationship with them, including:

Business Opportunities. We have preferential rights to invest in, acquire and construct cokemaking facilities in the United States ("U.S.") and Canada. SunCoke has preferential rights to all other business opportunities.

Potential Defaults by Coke Agreement Counterparties. For a period of five years from the closing date of the IPO, SunCoke has agreed to make us whole (including an obligation to pay for coke) to the extent (i) AK Steel Steel Holding Corporation ("AK Steel") exercises the early termination right provided in its Haverhill coke sales agreement, (ii) any customer fails to purchase coke or defaults in payment under its coke sales agreement (other than by reason of force majeure or our default) or (iii) we amend a coke sales agreement's terms to reduce a customer's purchase obligation as a result of the customer's financial distress. We and SunCoke will share in any damages and other amounts recovered from third-parties arising from such events in proportion to our relative losses.

Environmental Indemnity. SunCoke will indemnify us to the full extent of any remediation losses at the Haverhill and Middletown cokemaking facilities arising from any environmental matter discovered and identified as requiring remediation prior to the closing of the IPO. In addition, SunCoke will indemnify us for remediation losses at the Granite City cokemaking facility arising from any environmental matter discovered and identified as requiring remediation prior to the closing of the January 2015 dropdown of a 75 percent interest in Granite City ("Granite City Dropdown"). SunCoke contributed $67.0 million in partial satisfaction of this obligation from the proceeds of the IPO, and an additional $52.0 million in connection with subsequent dropdowns. If, prior to the fifth anniversary of the closing of the IPO, a pre-existing environmental matter is identified as requiring remediation, SunCoke will indemnify us for up to $50.0 million of any such remediation costs (we will bear the first $5.0 million of any such costs).

Other Indemnification. SunCoke will fully indemnify us with respect to any additional tax liability related to periods prior to or in connection with the closing of the IPO or the Granite City Dropdown to the extent not currently presented on the Consolidated Balance Sheets. Additionally, SunCoke will either cure or fully indemnify us for losses resulting from any material title defects at the properties owned by the entities acquired in connection with the closing of the IPO or the Granite City Dropdown to the extent that those defects interfere with or could reasonably be expected to interfere with the operations of the related cokemaking facilities. We will indemnify SunCoke for events relating to our operations except to the extent that we are entitled to indemnification by SunCoke.

License. SunCoke has granted us a royalty-free license to use the name "SunCoke" and related marks. Additionally, SunCoke has granted us a non-exclusive right to use all of SunCoke's current and future cokemaking and related

technology. We have not paid and will not pay a separate license fee for the rights we receive under the license.
Expenses and Reimbursement. SunCoke will continue to provide us with certain corporate and other services, and we will reimburse SunCoke for all direct costs and expenses incurred on our behalf and a portion of corporate and other costs and expenses attributable to our operations.

So long as SunCoke controls our general partner, the omnibus agreement will remain in full force and effect unless mutually terminated by the parties. If SunCoke ceases to control our general partner, the omnibus agreement will terminate, but our rights to indemnification and use of SunCoke's existing cokemaking and related technology will survive. The omnibus agreement can be amended by written agreement of all parties to the agreement, but we may not agree to any amendment that would, in the reasonable discretion of our general partner, be adverse in any material respect to the holders of our common units without prior approval of the conflicts committee.

3. Cash Distributions and Net Income Per Unit

Cash Distributions

Our partnership agreement generally provides that we will make cash distributions, if any, each quarter in the following manner:

- first, 98 percent to the holders of common units and 2 percent to our general partner, until each common unit has received the minimum quarterly distribution of $0.412500 plus any arrearages from prior quarters and
- second, 98 percent to all unitholders, pro rata, and 2 percent to our general partner, until each unit has received a distribution of $0.474375.

If cash distributions to our unitholders exceed $0.474375 per unit in any quarter, our unitholders and our general partner will receive distributions according to the following percentage allocations:

	Total Quarterly Distribution Per Unit Target Amount		Marginal Percentage Interest in Distributions	
			Unitholders	General Partner
Minimum Quarterly Distribution	$0.412500		98%	2%
First Target Distribution	above $0.412500	up to $0.474375	98%	2%
Second Target Distribution	above $0.474375	up to $0.515625	85%	15%
Third Target Distribution	above $0.515625	up to $0.618750	75%	25%
Thereafter	above $0.618750		50%	50%

Our distributions are declared subsequent to quarter end. The table below represents total cash distributions applicable to the period in which the distributions were earned:

Earned in Quarter Ended	Total Quarterly Distribution Per Unit	Total Cash Distribution including general partners IDRs (Dollars in millions)	Date of Distribution	Unitholders Record Date
March 31, 2016	$ 0.5940	$ 29.5	June 1, 2016	May 16, 2016
June 30, 2016	$ 0.5940	$ 29.5	September 1, 2016	August 15, 2016
September 30, 2016	$ 0.5940	$ 29.5	December 1, 2016	November 15, 2016
December 31, 2016	$ 0.5940	$ 29.5	March 1, 2017	February 15, 2017
March 31, 2017	$ 0.5940	$ 29.5	June 1, 2017	May 15, 2017
June 30, 2017[1]	$ 0.5940	$ 29.5	September 1, 2017	August 15, 2017

(1) On July 17, 2017, our Board of Directors declared a cash distribution of $0.5940 per unit, which will be paid on September 1, 2017, to unitholders of record on August 15, 2017.

Allocation of Net Income

Our partnership agreement contains provisions for the allocation of net income to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interest. Normal allocations according to percentage interests are made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100 percent to the general partner.

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The calculation of net income allocated to the general and limited partners was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in millions)			
Net (loss) income attributable to SunCoke Energy L.P.	$(12.9)	$12.1	$(142.2)	$51.9
Less: Expenses allocated to Common - SunCoke[(1)]	—	—	—	(7.0)
Net (loss) income attributable to all partners	(12.9)	12.1	(142.2)	58.9
General partner's incentive distribution rights	1.4	1.4	2.8	10.8
Net (loss) income attributable to partners, excluding incentive distribution rights	(14.3)	10.7	(145.0)	48.1
General partner's ownership interest:	2.0 %	2.0 %	2.0 %	2.0 %
General partner's allocated interest in net (loss) income	(0.2)	0.3	(2.9)	1.0
General partner's incentive distribution rights	1.4	1.4	2.8	10.8
Total general partner's interest in net income (loss)	$1.2	$1.7	$(0.1)	$11.8
Common - public unitholder's interest in net (loss) income	$(6.2)	$4.6	$(63.8)	$21.1
Common - SunCoke interest in net (loss) income:				
Common - SunCoke interest in net (loss) income	(7.9)	5.8	(78.3)	26.0
Expenses allocated to Common - SunCoke[(1)]	—	—	—	(7.0)
Total common - SunCoke interest in net (loss) income	(7.9)	5.8	(78.3)	19.0
Total limited partners' interest in net (loss) income	$(14.1)	$10.4	$(142.1)	$40.1

(1) Per the amended Partnership agreement, expenses paid on behalf of the Partnership are to be allocated entirely to the partner who paid them. During the first quarter of 2016, SunCoke paid $7.0 million of allocated corporate costs on behalf of the Partnership and will not seek reimbursement for those costs. These expenses are recorded as a direct reduction to SunCoke's interest in net income for the six months ended June 30, 2016.

Earnings Per Unit

Our net income is allocated to the general partner and limited partners in accordance with their respective partnership percentages, after giving effect to priority income allocations for incentive distributions, if any, to our general partner, pursuant to our partnership agreement. Distributions less than or greater than earnings are allocated in accordance with our partnership agreement. Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

In addition to the common, we also have identified the general partner interest and IDRs as participating securities and we use the two-class method when calculating the net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Basic and diluted net income per unit applicable to limited partners are the same because we do not have any potentially dilutive units outstanding.

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The calculation of earnings per unit is as follows:

	Three Months Ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(Dollars and units in millions, except per unit amounts)			
Net (loss) income attributable to SunCoke Energy L.P.	$(12.9)	$12.1	$(142.2)	$51.9
Less: Expenses allocated to Common - SunCoke	—	—	—	(7.0)
Net (loss) income attributable to all partners	(12.9)	12.1	(142.2)	58.9
General partner's distributions (including $1.4 million, $1.4 million, $2.8 million and $2.8 million of cash incentive distribution rights declared, respectively)	2.0	2.0	4.0	4.0
Limited partners' distributions on common units	27.5	27.5	55.0	54.9
Distributions (greater than) less than loss/earnings	(42.4)	(17.4)	(201.2)	—
General partner's earnings (loss):				
Distributions (including $1.4 million, $1.4 million, $2.8 million and $2.8 million of cash incentive distribution rights declared, respectively)	2.0	2.0	4.0	4.0
Allocation of distributions (greater than) less than loss/earnings	(0.8)	(0.3)	(4.1)	7.8
Total general partner's earnings (loss)	1.2	1.7	(0.1)	11.8
Limited partners' (loss) earnings on common units:				
Distributions	27.5	27.5	55.0	54.9
Expenses allocated to Common - SunCoke	—	—	—	(7.0)
Allocation of distributions (greater than) less than loss/earnings	(41.6)	(17.1)	(197.1)	(7.8)
Total limited partners' (loss) earnings on common units	(14.1)	10.4	(142.1)	40.1
Limited partners' earnings on subordinated units:				
Weighted average limited partner units outstanding:				
Common - basic and diluted	46.2	46.2	46.2	46.2
Net (loss) income per limited partner unit:				
Common - basic and diluted	$(0.30)	$0.23	$(3.08)	$0.86

Unit Activity

Unit activity for the six months ended June 30, 2017:

	Common - Public	Common - SunCoke	Total Common
At December 31, 2016	20,800,181	25,415,696	46,215,877
Units issued to directors	7,827	—	7,827
Public units acquired by SunCoke	(1,460,404)	1,460,404	—
At June 30, 2017	19,347,604	26,876,100	46,223,704

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4. Inventories

The components of inventories were as follows:

	June 30, 2017	December 31, 2016
	(Dollars in millions)	
Coal	$ 49.2	$ 34.5
Coke	5.0	4.7
Materials, supplies, and other	28.3	27.7
Total inventories	$ 82.5	$ 66.9

5. Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is tested for impairment as of October 1 of each year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit to below its carrying value. Goodwill allocated to our Coal Logistics segment was $73.5 million at both June 30, 2017 and December 31, 2016.

The components of intangible assets were as follows:

		June 30, 2017			December 31, 2016		
	Weighted - Average Remaining Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(Dollars in millions)					
Customer contracts	5	$24.0	$ 6.1	$17.9	$24.0	$ 4.5	$19.5
Customer relationships	14	28.7	4.8	23.9	28.7	3.8	24.9
Permits	25	139.0	9.6	129.4	139.0	7.1	131.9
Trade name	1	1.2	0.9	0.3	1.2	0.8	0.4
Total		$192.9	$ 21.4	$171.5	$192.9	$ 16.2	$176.7

The permits above represent the environmental and operational permits required to operate a coal export terminal in accordance with the United States Environmental Protection Agency and other regulatory bodies. Intangible assets are amortized over their useful lives in a manner that reflects the pattern in which the economic benefit of the asset is consumed. The permits’ useful lives were estimated to be 27 years at acquisition based on the expected useful life of the significant operating equipment at the facility. These permits have an average remaining renewal term of approximately 3.9 years. The permits were renewed regularly prior to our acquisition of CMT. We also have historical experience of renewing and extending similar arrangements at our other facilities and intend to continue to renew our permits as they come up for renewal for the foreseeable future.

Total amortization expense for intangible assets subject to amortization was $2.6 million and $5.2 million for the three and six months ended June 30, 2017, respectively, and $2.8 million and $5.4 million for three and six months ended June 30, 2016, respectively.

6. Income Taxes

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjust the rate as necessary.

In January 2017, the Internal Revenue Service ("IRS") announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. However, the Final Regulations include a transition period for activities that were reasonably interpreted to be qualifying income and carried on by publicly traded partnerships prior to the Final Regulations. The Partnership previously received a will-level opinion from its counsel, Vinson & Elkins LLP, that the Partnership's cokemaking operations generated qualifying income prior to the Final Regulations. Therefore, the Partnership believes it had a reasonable basis to conclude its cokemaking operations were considered qualifying income before the issuance of the new regulations and as such expects to maintain its treatment as a partnership through the transition period. Cokemaking entities in the Partnership will become taxable as corporations on January 1, 2028, after the transition period ends.

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As a result of the Final Regulations, the Partnership recorded deferred income tax expense of $148.6 million to set up its initial deferred income tax liability during the first quarter of 2017, primarily related to differences in the book and tax basis of fixed assets, which are expected to exist at the end of the 10-year transition period when the cokemaking operations become taxable. The Partnership reassessed these deferred tax liabilities during the second quarter of 2017, resulting in an immaterial impact to deferred income tax expense. A portion of this deferred tax liability, $3.0 million, was attributable to SunCoke's retained ownership interest in the cokemaking facilities and, therefore, was also reflected as a reduction in noncontrolling interest during the six months ended June 30, 2017.

7. Debt and Financing Obligation

Total debt and financing obligation, including the current portion of long-term debt and financing obligation, consisted of the following:

	June 30, 2017	December 31, 2016
	(Dollars in millions)	
7.500 percent senior notes, due 2025 ("2025 Partnership Notes")	$630.0	$ —
7.375 percent senior notes, due 2020 ("2020 Partnership Notes")	—	463.0
Partnership term loan, due 2019 ("Partnership Term Loan")	—	50.0
Revolving credit facility, due 2022 and 2019, respectively ("Partnership Revolver")	100.0	172.0
Partnership promissory note payable, due 2021 ("Promissory Note")	112.6	113.2
5.82 percent financing obligation, due 2021 ("Financing Obligation")	14.0	15.2
Total borrowings	856.6	813.4
Original issue (discount) premium	(9.3)	7.5
Debt issuance cost	(15.8)	(10.3)
Total debt and financing obligation	831.5	810.6
Less: current portion of long-term debt and financing obligation	3.7	4.9
Total long-term debt and financing obligation	$827.8	$ 805.7

Issuance of 2025 Partnership Senior Notes

In May 2017, the Partnership issued $630.0 million aggregate principal amount of senior notes with an interest rate of 7.5 percent due in May 2025. The Partnership received proceeds of $620.6 million, net of an original issue discount of $9.4 million. The Partnership incurred debt issuance costs related to this transaction of $11.8 million, which were included in long-term debt and financing obligation on the Consolidated Balance Sheets as of June 30, 2017. The 2025 Partnership Senior Notes are the senior unsecured obligations of the Partnership, and are guaranteed on a senior unsecured basis by each of the Partnership’s existing and certain future subsidiaries (other than SunCoke Energy Partners Finance Corp.). Interest on the 2025 Partnership Senior Notes is payable semi-annually in cash in arrears on June 15 and December 15 of each year, commencing on December 15, 2017.

The Partnership may redeem some or all of the 2025 Partnership Senior Notes at any time on or after June 15, 2020 at specified redemption prices plus accrued and unpaid interest, if any, to the redemption date. Before June 15, 2020, and following certain equity offerings, the Partnership also may redeem up to 35% of the 2025 Partnership Senior Notes at a price equal to 107.50% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to June 15, 2020, the Partnership may redeem some or all of the 2025 Partnership Senior Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a “make-whole” premium.

The Partnership is obligated to offer to purchase all or a portion of the 2025 Partnership Senior Notes at a price of (a) 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase, upon the occurrence of certain change of control events and (b) 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase, upon the occurrence of certain asset dispositions. These restrictions and prohibitions are subject to certain qualifications and exceptions set forth in the Indenture, including without limitation, reinvestment rights with respect to the proceeds of asset dispositions.

The Indenture contains covenants that, among other things, limit the Partnership’s ability and the ability of certain of the Partnership’s subsidiaries to (i) incur indebtedness, (ii) pay dividends or make other distributions, (ii) prepay, redeem or repurchase certain subordinated debt, (iv) make loans and investments, (v) sell assets, (vi) incur liens, (vii) enter into transactions with affiliates, (viii) enter into agreements restricting the ability of subsidiaries to pay dividends and (ix) consolidate or merge.

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Purchase and Redemption of 2020 Partnership Senior Notes and Repayment of Partnership Term Loan

During the second quarter of 2017, the Partnership used the proceeds from the 2025 Partnership Notes to purchase and redeem its 2020 Partnership Notes, including principal of $463.0 million and a premium of $18.7 million, and to repay the $50.0 million outstanding on the Partnership Term Loan. As a result, during the three and six months ended June 30, 2017, the Partnership recorded a loss on extinguishment of debt on the Consolidated Statement of Operations of $19.1 million, which included the premium paid and a write-off of unamortized debt issuance costs of $7.0 million partly offset by a write-off of unamortized premiums of $6.6 million.

Partnership Revolver

In May 2017, the Partnership amended and restated the Partnership Revolver, which increased the Partnership's capacity from $250.0 million to $285.0 million and extended the maturity to May 2022, resulting in additional debt issuance costs of $3.0 million, which were included in long-term debt and financing obligation on the Consolidated Balance Sheets as of June 30, 2017. Additionally, the Partnership recorded a loss on extinguishment of debt on the Consolidated Statement of Operations of $0.8 million, representing a write-off of unamortized debt issuance costs, during the three and six months ended June 30, 2017.

The Partnership repaid the outstanding revolver balance of $172.0 million and borrowed $100.0 million under the amended and restated credit facility during the second quarter of 2017. As of June 30, 2017, the Partnership had $1.9 million of letters of credit outstanding and an outstanding balance of $100.0 million, leaving $183.1 million available.

Partnership's Promissory Note

During the three and six months ended June 30, 2017, the Partnership repaid $0.3 million and $0.6 million, respectively, of principal on the Partnership's Promissory Note. The Partnership intends to repay the outstanding balance on the Partnership's Promissory Note of $112.6 million in August 2017, primarily using available borrowing capacity under the Partnership Revolver.

Covenants

Under the terms of the Partnership credit agreement, the Partnership is subject to a maximum leverage ratio of 4.5:1.0 prior to June 30, 2020 and 4.0:1.0 after June 30, 2020, and a minimum consolidated interest coverage ratio of 2.5:1.0. The Partnership's credit agreement contains other covenants and events of default that are customary for similar agreements and may limit our ability to take various actions including our ability to pay a dividend or repurchase our stock.

Under the terms of the Promissory Note, Raven Energy LLC, a wholly-owned subsidiary of the Partnership, is subject to a maximum leverage ratio of 5.0:1.0 for any fiscal quarter ending prior to August 12, 2018. For any fiscal quarter ending on or after August 12, 2018, the maximum leverage ratio is 4.5:1.0. Additionally in order to make restricted payments, Raven Energy LLC is subject to a fixed charge ratio of 1.0:1.0.

If we fail to perform our obligations under these and other covenants, the lenders' credit commitment could be terminated and any outstanding borrowings, together with accrued interest, under the Partnership Revolver and Promissory Note could be declared immediately due and payable. The Partnership has a cross-default provision that applies to our indebtedness having a principal amount in excess of $35 million.

As of June 30, 2017, the Partnership was in compliance with all applicable debt covenants. We do not anticipate violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.

8. Commitments and Contingent Liabilities

The United States Environmental Protection Agency ("EPA") has issued Notices of Violations (“NOVs”) for the Haverhill and Granite City cokemaking facilities which stemmed from alleged violations of air operating permits for these facilities. We are working in a cooperative manner with the EPA, the Ohio Environmental Protection Agency and the Illinois Environmental Protection Agency to address the allegations, and have entered into a consent degree in federal district court with these parties. The consent decree includes a $2.2 million civil penalty payment that was paid by SunCoke in 2014, as well as capital projects underway to improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City cokemaking facilities.

We retained an aggregate of $119 million in proceeds from the Partnership's initial public offering and subsequent dropdowns to fund these environmental remediation projects at the Haverhill and Granite City cokemaking facilities. Pursuant to the omnibus agreement, any amounts that we spend on these projects in excess of the $119 million will be reimbursed by SunCoke. SunCoke spent $7 million related to these projects. We have spent approximately $94 million to date and the remaining capital is expected to be spent through the first quarter of 2019.

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The Partnership is a party to certain other pending and threatened claims, including matters related to commercial and tax disputes, product liability, employment claims, personal injury claims, premises-liability claims, allegations of exposures to toxic substances and general environmental claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of these claims could be resolved unfavorably to the Partnership. Management of the Partnership believes that any liability which may arise from claims would not have a material adverse impact on our consolidated financial statements.

9. Fair Value Measurements

The Partnership measures certain financial and non-financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2—inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis. The Partnership’s cash equivalents are measured at fair value based on quoted prices in active markets for identical assets. These inputs are classified as Level 1 within the valuation hierarchy. The Partnership did not have material cash equivalents at June 30, 2017 or December 31, 2016.

Convent Marine Terminal Contingent Consideration

In connection with the CMT acquisition, the Partnership entered into a contingent consideration arrangement that requires us to make future payments to The Cline Group based on future volume over a specified threshold, price and contract renewals. The fair value of the contingent consideration was estimated based on a probability-weighted analysis using significant inputs that are not observable in the market, or Level 3 inputs. Key assumptions included probability adjusted levels of coal handling services provided by CMT, anticipated price per ton on future sales and probability of contract renewal, including length of future contracts, volume commitment, and anticipated price per ton. The fair value of the contingent consideration at June 30, 2017 and December 31, 2016 was $4.5 million and $4.2 million, respectively, and was included in other deferred charges and liabilities on the Consolidated Balance Sheets. As a result of the increase in fair value, the Partnership recognized $0.3 million of additional expense in costs of products sold and operating expenses on the Consolidated Statements of Operations during the three and six months ended June 30, 2017. During the first quarter of 2016, the Partnership amended the contingent consideration terms with The Cline Group, which resulted in a $3.7 million gain recognized as a reduction to costs of products sold and operating expenses on the Consolidated Statements of Operations during the six months ended June 30, 2016.

Certain Financial Assets and Liabilities not Measured at Fair Value

At June 30, 2017 and December 31, 2016, the estimated fair value of the Partnership's total debt was $851.1 million and $810.4 million, respectively, compared to a carrying amount of $856.6 million and $813.4 million, respectively. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions which are considered Level 2 inputs.

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10. Business Segment Disclosures

The Partnership derives its revenues from the Domestic Coke and Coal Logistics reportable segments. Domestic Coke operations are comprised of the Haverhill and Middletown cokemaking facilities located in Ohio and the Granite City cokemaking facility located in Illinois. These facilities use similar production processes to produce coke and to recover waste heat that is converted to steam or electricity. Steam is provided to third-party customers primarily pursuant to steam supply and purchase agreements. Electricity is sold into the regional power market or to AK Steel Holding Corporation ("AK Steel") pursuant to energy sales agreements. Coke sales at the Partnership's cokemaking facilities are made pursuant to long-term, take-or-pay agreements with ArcelorMittal S.A., AK Steel and United States Steel Corporation. Each of the coke sales agreements contain pass-through provisions for costs incurred in the cokemaking process, including coal procurement costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expenses, costs related to the transportation of coke to the customers, taxes (other than income taxes) and costs associated with changes in regulation, in addition to containing a fixed fee.

Coal Logistics operations are comprised of CMT located in Louisiana, Lake Terminal located in Indiana and KRT located in West Virginia. Our coal logistics operations have a collective capacity to mix and transload approximately 40 million tons of coal annually and provide coal handling and/or mixing services to its customers, which include our own cokemaking facilities and other SunCoke cokemaking facilities. Coal handling and mixing results are presented in the Coal Logistics segment.

Corporate and other expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other.

The following table includes Adjusted EBITDA, which is the measure of segment profit or loss and liquidity reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in millions)			
Sales and other operating revenue:				
Domestic Coke	$182.0	$167.5	$355.2	$346.4
Coal Logistics	18.6	13.9	41.0	29.5
Coal Logistics intersegment sales	1.5	1.7	3.3	3.2
Elimination of intersegment sales	(1.5)	(1.7)	(3.3)	(3.2)
Total sales and other operating revenue	$200.6	$181.4	$396.2	$375.9
Adjusted EBITDA:				
Domestic Coke	$37.5	$41.1	$80.0	$87.4
Coal Logistics	9.6	5.3	22.6	11.2
Corporate and Other	(4.1)	(4.7)	(7.9)	(8.7)
Total Adjusted EBITDA	$43.0	$41.7	$94.7	$89.9
Depreciation and amortization expense:				
Domestic Coke	$15.6	$12.7	$31.3	$26.0
Coal Logistics	5.9	7.8	11.8	13.2
Total depreciation and amortization expense	$21.5	$20.5	$43.1	$39.2
Capital expenditures:				
Domestic Coke	$5.2	$5.5	$8.8	$11.4
Coal Logistics	0.5	8.6	1.1	10.7
Total capital expenditures	$5.7	$14.1	$9.9	$22.1

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The following table sets forth the Partnership's segment assets:

	June 30, 2017	December 31, 2016
	(Dollars in millions)	
Segment assets:		
Domestic Coke	$1,171.3	$ 1,184.2
Coal Logistics	499.3	510.6
Corporate and Other	6.4	1.2
Total assets	$1,677.0	$ 1,696.0

The following table sets forth the Partnership’s total sales and other operating revenue by product or service, excluding intersegment revenues:

	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
	(Dollars in millions)			
Sales and other operating revenue:				
Cokemaking revenues	$170.6	$152.2	$329.5	$315.5
Energy revenues	10.7	14.2	24.3	28.6
Coal logistics revenues	16.7	13.6	37.0	28.9
Other revenues	2.6	1.4	5.4	2.9
Total revenues	$200.6	$181.4	$396.2	$375.9

The Partnership evaluates the performance of its segments based on segment Adjusted EBITDA, which represents earnings before interest, loss (gain) on extinguishment of debt, taxes, depreciation and amortization, adjusted for changes to our contingent consideration liability related to our acquisition of CMT and the expiration of certain acquired contractual obligations. Adjusted EBITDA does not represent and should not be considered an alternative to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses.

Management believes Adjusted EBITDA is an important measure of the operating performance and liquidity of the Partnership's net assets and its ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance and liquidity. EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, and they should not be considered an alternative to net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP. Set forth below is additional discussion of the limitations of Adjusted EBITDA as an analytical tool.

Limitations. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect items such as depreciation and amortization;
- does not reflect changes in, or cash requirements for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income attributable to noncontrolling interests.

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Below is a reconciliation of Adjusted EBITDA (unaudited) to net income and net cash provided by operating activities, which are its most directly comparable financial measures calculated and presented in accordance with GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in millions)			
Net cash provided by operating activities	$12.2	$67.7	$51.6	$108.1
Subtract:				
Depreciation and amortization expense	21.5	20.5	43.1	39.2
Loss (gain) on extinguishment of debt	19.9	(3.5)	19.9	(23.9)
Deferred income tax (benefit) expense	(0.4)	0.1	148.8	0.4
Changes in working capital and other	(16.3)	38.0	(16.0)	39.3
Net (loss) income	$(12.5)	$12.6	$(144.2)	$53.1
Add:				
Depreciation and amortization expense	$21.5	$20.5	$43.1	$39.2
Interest expense, net	14.0	11.7	26.6	24.2
Loss (gain) on extinguishment of debt	19.9	(3.5)	19.9	(23.9)
Income tax (benefit) expense, net	(0.2)	0.4	149.0	1.0
Contingent consideration adjustments(1)	0.3	—	0.3	(3.7)
Adjusted EBITDA(2)	$43.0	$41.7	$94.7	$89.9
Subtract:				
Adjusted EBITDA attributable to noncontrolling interest (3)	0.8	0.8	1.6	1.7
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$42.2	$40.9	$93.1	$88.2

(1) As a result of the increase in fair value of the contingent consideration liability during the second quarter of 2017, the Partnership recognized expense of $0.3 million during the three and six months ended June 30, 2017. The Partnership amended its contingent consideration terms with The Cline Group during the first quarter of 2016. This amendment resulted in a gain of $3.7 million recorded during the six months ended June 30, 2016.

(2) In accordance with the SEC’s May 2016 update to its guidance on the appropriate use of non-GAAP financial measures, Adjusted EBITDA does not include Coal Logistics deferred revenue until it is recognized as GAAP revenue.

(3) Reflects net income attributable to noncontrolling interest adjusted for noncontrolling interest's share of interest, taxes, income, and depreciation and amortization.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain forward-looking statements of expected future developments, as defined in the Private Securities Litigation Reform Act of 1995. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under “Cautionary Statement Concerning Forward-Looking Statements.”

This Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is based on financial data derived from the financial statements prepared in accordance with United States ("U.S.") generally accepted accounting principles (“GAAP”) and certain other financial data that is prepared using non-GAAP measures. For a reconciliation of these non-GAAP measures to the most comparable GAAP components, see “Non-GAAP Financial Measures” at the end of this Item, and Note 10 to our consolidated financial statements. These statements reflect significant assumptions and allocations and include all expenses allocable to our business, but may not be indicative of those that would have been achieved had we operated as a separate public entity for all periods presented or of future results.

Our MD&A is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flow.

Overview

SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us"), is a Delaware limited partnership formed in July 2012, which primarily produces coke used in the blast furnace production of steel. At June 30, 2017, we owned a 98 percent interest in Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown") and Gateway Energy and Coke Company, LLC ("Granite City"). The remaining 2 percent ownership interest in our three cokemaking facilities was owned by SunCoke Energy, Inc. ("SunCoke"). We also own a coal logistics business, which provides coal handling and/or mixing services to third-party customers as well as to our own cokemaking facilities and other SunCoke cokemaking facilities. Our coal logistics business consists of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT") and SunCoke Lake Terminal, LLC ("Lake Terminal"). At June 30, 2017, SunCoke, through a subsidiary, owned a 57.0 percent limited partnership interest in us and indirectly owned and controlled our general partner, which holds a 2.0 percent general partner interest in us and all of our incentive distribution rights ("IDR").

All of our coke sales are made pursuant to long-term, take-or-pay agreements. These coke sales agreements have an average remaining term of approximately eight years and contain pass-through provisions for costs we incur in the cokemaking process, including coal procurement costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expenses, costs related to the transportation of coke to our customers, taxes (other than income taxes) and costs associated with changes in regulation. The coke sales agreement and energy sales agreement with AK Steel Holding Corporation ("AK Steel") at our Haverhill facility are subject to early termination by AK Steel under limited circumstances and provided that AK Steel has given at least two years prior notice of its intention to terminate the agreements and certain other conditions are met. No other coke sales contract has an early termination clause. For a five-year period following our initial public offering on January 24, 2013 ("IPO"), SunCoke has agreed to make us whole or purchase all of our coke production not taken by our customers in the event of a customer's default or exercise of certain termination rights, under the same terms as those provided for in the coke sales agreements with our customers.

Our core business model is predicated on providing steelmakers an alternative to investing capital in their own captive coke production facilities. We direct our marketing efforts principally towards steelmaking customers that require coke for use in their blast furnaces. While our steelmaking customers are operating in an environment that is challenged by global overcapacity, our customers have continued to see increases in steel pricing and positive signals on trade and infrastructure during the first half of 2017. Despite the improved market trends over the last year, AK Steel and United States Steel Corporation ("U.S. Steel") have kept portions of their Ashland Kentucky Works facility and Granite City Works facility idled as they await further signs of market stability. While market challenges remain, our customers continue to comply with the terms of their long-term, take-or-pay contracts with us.

Our Granite City facility and the first phase of our Haverhill facility, or Haverhill I, have steam generation facilities, which use hot flue gas from the cokemaking process to produce steam for sale to customers, pursuant to steam supply and purchase agreements. Granite City sells steam to U.S. Steel and Haverhill I provides steam, at minimal cost, to Altivia Petrochemicals, LLC ("Altivia"). Our Middletown facility and the second phase of our Haverhill facility, or Haverhill II, have cogeneration plants that use the hot flue gas created by the cokemaking process to generate electricity, which either is sold into the regional power market or to AK Steel pursuant to energy sales agreements.

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The following table sets forth information about our cokemaking facilities and our coke, steam and energy sales agreements as of June 30, 2017:

Facility	Location	Coke Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Annual Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Granite City	Granite City, Illinois	U.S. Steel	2009	2025	120	650	Steam for power generation
Haverhill I	Franklin Furnace, Ohio	ArcelorMittal	2005	2020	100	550	Process steam
Haverhill II	Franklin Furnace, Ohio	AK Steel	2008	2022	100	550	Power generation
Middletown(1)	Middletown, Ohio	AK Steel	2011	2032	100	550	Power generation
Total					420	2,300	

(1) Cokemaking capacity represents stated capacity for the production of blast furnace coke. The Middletown coke sales agreement provides for coke sales on a “run of oven” basis, which includes both blast furnace coke and small coke. Middletown nameplate capacity on a “run of oven” basis is 578 thousand tons per year.

We also provide coal handling and/or mixing services with our coal logistics business, which has collective capacity to mix and/or transload approximately 40 million tons of coal annually and store approximately 3 million tons. CMT is one of the largest export terminals on the U.S. gulf coast and has direct rail access and the capability to transload approximately 15 million tons of coal annually through its operations in Convent, Louisiana. The facility is supported by long-term, take-or-pay contracts with volume commitments covering 10 million tons of its current capacity. KRT is a leading metallurgical and thermal coal mixing and handling terminal service provider with collective capacity to mix and transload approximately 25 million tons of coal annually through its operations in West Virginia. Our terminal located in East Chicago, Indiana, Lake Terminal, provides coal handling and mixing services to SunCoke's Indiana Harbor cokemaking operations. Coal is transported from the mine site in numerous ways, including rail, truck, barge or ship. Our coal terminals act as intermediaries between coal producers and coal end users by providing transloading, storage and mixing services. We do not take possession of coal in our coal logistics business, but instead earn revenue by providing coal handling and/or mixing services to our customers on a fee per ton basis. We provide mixing and handling services to steel, coke (including some of our and SunCoke's domestic cokemaking facilities), electric utility and coal producing customers.

The financial performance of our coal logistics business is substantially dependent upon a limited number of customers. Our CMT customers are impacted by seaborne export market dynamics. Fluctuations in the benchmark price for coal delivery into northwest Europe, as referenced in the Argus/McCloskey's Coal Price Index report ("API2 index price"), contribute to our customers' decisions to place tons into the export market and thus impact transloading volumes through our terminal facility. Our KRT terminals are primarily impacted by the domestic coal markets in which its customers operate and generally benefit from extreme weather conditions.

The Partnership's coal logistics customers have experienced more stable thermal coal prices, both API2 and domestic, during the first half of 2017 as well as significant increases to these prices in 2017 as compared to lows in early 2016. Additionally, metallurgical coal export prices have significantly increased during the first half of 2017 as compared to the prior year period. As a result, tons handled by the Coal Logistics segment have increased and improved its financial performance in the first half of 2017 as compared to the first half of 2016.

Organized in Delaware in July 2012, and headquartered in Lisle, Illinois, we are a master limited partnership whose common units, representing limited partnership interests, were first listed for trading on the New York Stock Exchange (“NYSE”) in January 2013 under the symbol “SXCP.”

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Recent Developments

- Termination of Proposed Simplification Transaction

In April 2017, SunCoke announced the termination of discussions with the Conflicts Committee of our Board of Directors regarding its proposal to acquire all of the Partnership's common units not already owned by SunCoke ("Simplification Transaction"), announced on October 31, 2016. The Conflicts Committee and its independent advisors reviewed the proposal made by SunCoke and had several discussions with SunCoke regarding the potential transaction. At this time, the parties determined that they will not be able to reach an agreement and have therefore terminated discussions regarding the proposed Simplification Transaction.

- Partnership's Debt Refinancing

See "Items Impacting Comparability" below for further details on the Partnership's debt refinancing.

Second Quarter Key Financial Results

Our consolidated results of operations were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
	(Dollars in millions)					
Sales and other operating revenue(1)	$200.6	$181.4	$ 19.2	$396.2	$375.9	$ 20.3
Net cash provided by operating activities(2)	$12.2	$67.7	$ (55.5)	$51.6	$108.1	$ (56.5)
Adjusted EBITDA(1)	$43.0	$41.7	$ 1.3	$94.7	$89.9	$ 4.8

(1) See analysis of changes described in "Analysis of Segment Results."

(2) See analysis of changes described in "Liquidity and Capital Resources."

Items Impacting Comparability

- Debt Activities. During the second quarter of 2017, the Partnership refinanced its debt obligations. The Partnership received $620.6 million of proceeds, net of an original issue discount of $9.4 million, from the issuance of the 7.5 percent 2025 Partnership Notes and $100.0 million of proceeds from borrowings under the Partnership's amended and restated credit facility. The Partnership used these proceeds to purchase and redeem all of its 7.375 percent 2020 Partnership Notes, including principal of $463.0 million and a premium of $18.7 million, to repay the $50.0 million outstanding on the Partnership Term Loan and to repay $172.0 million on the Partnership Revolver. In connection with the debt issuance, the Partnership incurred debt issuance costs of $14.8 million, which were included in long-term debt and financing obligation on the Consolidated Balance Sheets as of June 30, 2017.

As a result of the debt refinancing, the three and six months ended June 30, 2017 included a loss on extinguishment of debt on the Consolidated Statement of Operations of $19.9 million, which consisted primarily of the premium paid of $18.7 million.

The Partnership intends to repay the outstanding balance on the Partnership's Promissory Note of $112.6 million in August 2017, primarily using available borrowing capacity under the Partnership Revolver. The Partnership anticipates annualized interest expense, net to increase by approximately $8 million, which includes approximately $6 million of cash interest, net of $3 million of interest savings from the anticipated refinancing of the Partnership Promissory Note in August 2017, and $2 million of amortization of debt issuance costs and discounts. See Note 7 to our consolidated financial statements for further details.

During the three and six months ended June 30, 2016, the Partnership repurchased $17.1 million and $69.9 million, respectively, of 2020 Partnership Notes, which resulted in a gain on extinguishment of debt of $3.5 million and $23.9 million, respectively.

- IRS Final Regulations on Qualifying Income. In January 2017, the Internal Revenue Service ("IRS") announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. However, the Final Regulations include a transition period for activities that were reasonably interpreted to be qualifying income and carried on by publicly traded partnerships prior to the Final Regulations. The Partnership previously received a will-level opinion from its counsel, Vinson

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& Elkins LLP, that the Partnership's cokemaking operations generated qualifying income prior to the Final Regulations. Therefore, the Partnership believes it had a reasonable basis to conclude its cokemaking operations were considered qualifying income before the issuance of the new regulations and as such expects to maintain its treatment as a partnership through the transition period. Cokemaking entities in the Partnership will become taxable as corporations on January 1, 2028, after the transition period ends.

As a result of the Final Regulations, the Partnership recorded deferred income tax expense of $148.6 million to set up its initial deferred income tax liability during the first quarter of 2017, primarily related to differences in the book and tax basis of fixed assets, which are expected to exist at the end of the 10-year transition period when the cokemaking operations become taxable. The Partnership reassessed these deferred tax liabilities during the second quarter of 2017, resulting in an immaterial impact to deferred income tax expense. A portion of this deferred tax liability, $3.0 million, was attributable to SunCoke's retained ownership interest in the cokemaking facilities and, therefore, was also reflected as a reduction in noncontrolling interest during the six months ended June 30, 2017.

- Pass Through Coal Cost Under-Recovery. During the fourth quarter of 2016, as part of our ordinary course coal sourcing activities, Haverhill, Middletown and AK Steel each entered into arrangements with a coal supplier for 2017 fulfillment. As a result of unfulfilled coal supply commitments by this coal supplier, substitute coal suppliers are currently meeting the shortfall, resulting in a higher price. Presently, we are aggressively pursuing the coal supplier and sharing a portion of the increased coal cost differential with AK Steel, resulting in a negative impact to revenue and Adjusted EBITDA of $1.4 million and $2.8 million during the three and six months ended June 30, 2017, respectively. We expect this impact to lower revenue and Adjusted EBITDA by approximately $6 million for the year ended December 31, 2017.
- Contingent Consideration. In connection with the CMT acquisition, the Partnership entered into a contingent consideration arrangement that requires the Partnership to make future payments to The Cline Group based on future volumes over a specified threshold, price, and contract renewals. During the first quarter of 2016, the Partnership amended the contingent consideration terms with The Cline Group, which resulted in a $3.7 million gain recognized as a reduction to costs of products sold and operating expenses on the Consolidated Statements of Operations during the six months ended June 30, 2016.

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Results of Operations

The following table sets forth amounts from the Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
	(Dollars in millions)					
Revenues						
Sales and other operating revenue	$200.6	$181.4	$ 19.2	$396.2	$375.9	$ 20.3
Costs and operating expenses						
Cost of products sold and operating expenses	149.4	128.6	20.8	284.8	262.8	22.0
Selling, general and administrative expenses	8.5	11.1	(2.6)	17.0	19.5	(2.5)
Depreciation and amortization expense	21.5	20.5	1.0	43.1	39.2	3.9
Total costs and operating expenses	179.4	160.2	19.2	344.9	321.5	23.4
Operating income	21.2	21.2	—	51.3	54.4	(3.1)
Interest expense, net	14.0	11.7	2.3	26.6	24.2	2.4
Loss (gain) on extinguishment of debt[(1)]	19.9	(3.5)	23.4	19.9	(23.9)	43.8
(Loss) income before income tax (benefit) expense	(12.7)	13.0	(25.7)	4.8	54.1	(49.3)
Income tax (benefit) expense	(0.2)	0.4	(0.6)	149.0	1.0	148.0
Net (loss) income	(12.5)	12.6	(25.1)	(144.2)	53.1	(197.3)
Less: Net income (loss) attributable to noncontrolling interests	0.4	0.5	(0.1)	(2.0)	1.2	(3.2)
Net (loss) income attributable to SunCoke Energy Partners, L.P.	$(12.9)	$12.1	$ (25.0)	$(142.2)	$51.9	$ (194.1)

(1) See year-over-year changes described in "Items Impacting Comparability."

Total Revenues. Sales and other operating revenue increased for both the three and six months ended June 30, 2017 compared to the same prior year periods. These increases were primarily due to the pass-through of higher coal prices in our Domestic Coke segment as well as higher sales volumes in our Coal Logistics segment.

Costs of Products Sold and Operating Expenses. Costs of products sold and operating expenses increased for both the three and six months ended June 30, 2017 compared to the same prior year periods. These increases were primarily due to higher coal costs associated with higher coal prices in our Domestic Coke segment, discussed above, as well as the absence of the $3.7 million gain from the contingent consideration adjustment recorded in the first quarter of 2016, previously discussed in "Items Impacting Comparability."

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the three and six months ended June 30, 2017 compared to the same prior year periods decreased primarily due to the absence of the $1.4 million write-off of a receivable related to 2015 spot coke sales to Essar Algoma during the three and six months ended June 30, 2016.

Depreciation and Amortization Expense. The increase in depreciation and amortization expense during the three and six months ended June 30, 2017 compared to the same prior year periods was primarily the result of new assets placed in service, including the new ship loader at CMT placed in service during the fourth quarter of 2016.

Interest Expense, net. The increase in interest expense, net during the three and six months ended June 30, 2017 compared to the same prior year periods was primarily due to higher interest rates on the 2025 Partnership Notes issued in May 2017 previously discussed in "Items Impacting Comparability," as well as lower capitalized interest during the three and six months ended June 30, 2017 as compared to the prior year period.

Income Taxes. Income tax expense increased significantly during the six months ended June 30, 2017, as compared to the same prior year period, as a result of the impact of the IRS Final Regulations previously discussed in "Items Impacting Comparability."

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Noncontrolling Interest. Net (loss) income attributable to noncontrolling interest represents SunCoke's retained ownership interest in our cokemaking facilities. The decrease in net (loss) income attributable to noncontrolling interest for the six months ended June 30, 2017 was driven by the impact of the IRS Final Regulations previously described in "Items Impacting Comparability."

Results of Reportable Business Segments

We report our business results through two segments:

- Domestic Coke consists of our Haverhill, Middletown and Granite City cokemaking and heat recovery operations located in Franklin Furnace, Ohio; Middletown, Ohio; and Granite City, Illinois, respectively.
- Coal Logistics consists of our coal handling and/or mixing services in East Chicago, Indiana; Ceredo, West Virginia; Belle, West Virginia; and Convent, Louisiana.

The operations of each of our segments are described at the beginning of the MD&A.

Corporate expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other.

Management believes Adjusted EBITDA is an important measure of operating performance and liquidity and it is used as the primary basis for the chief operating decision maker to evaluate the performance of each of our reportable segments. Adjusted EBITDA should not be considered a substitute for the reported results prepared in accordance with GAAP. See "Non-GAAP Financial Measures" near the end of this Item.

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Segment Operating Data

The following tables set forth financial and operating data for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Increase (Decrease)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)
	(Dollars in millions)					
Sales and other operating revenues:						
Domestic Coke	$182.0	$167.5	$ 14.5	$355.2	$346.4	$ 8.8
Coal Logistics	18.6	13.9	4.7	41.0	29.5	11.5
Coal Logistics intersegment sales	1.5	1.7	(0.2)	3.3	3.2	0.1
Elimination of intersegment sales	(1.5)	(1.7)	0.2	(3.3)	(3.2)	(0.1)
Total Sales and other operating revenues	$200.6	$181.4	$ 19.2	$396.2	$375.9	$ 20.3
Adjusted EBITDA[1]:						
Domestic Coke	$37.5	$41.1	$ (3.6)	$80.0	$87.4	(7.4)
Coal Logistics	9.6	5.3	4.3	22.6	11.2	11.4
Corporate and Other	(4.1)	(4.7)	0.6	(7.9)	(8.7)	0.8
Total Adjusted EBITDA	$43.0	$41.7	$ 1.3	$94.7	$89.9	$ 4.8
Coke Operating Data:						
Domestic Coke capacity utilization (%)	98	101	(3)	99	102	(3)
Domestic Coke production volumes (thousands of tons)	565	583	(18)	1,132	1,158	(26)
Domestic Coke sales volumes (thousands of tons)	569	579	(10)	1,133	1,160	(27)
Domestic Coke Adjusted EBITDA per ton[2]	$65.91	$70.98	$ (5.07)	$70.61	$75.34	$ (4.73)
Coal Logistics Operating Data:						
Tons handled (thousands of tons)[3]	4,909	3,938	971	10,358	7,973	2,385
CMT take-or-pay shortfall tons (thousands of tons)[4]	956	1,616	(660)	1,500	3,254	(1,754)

(1) See Note 10 in our consolidated financial statements for both the definition of Adjusted EBITDA and the reconciliations from GAAP to the non-GAAP measurement for the three and six months ended June 30, 2017 and 2016, respectively.

(2) Reflects Domestic Coke Adjusted EBITDA divided by Domestic Coke sales volumes.

(3) Reflects inbound tons handled during the period.

(4) Reflects tons billed under take-or-pay contracts where services have not yet been performed.

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Analysis of Segment Results

Domestic Coke

The following table explains year-over-year changes in our Domestic Coke segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended June 30, 2017 vs. 2016		Six months ended June 30, 2017 vs. 2016	
	Sales and other operating revenue	Adjusted EBITDA	Sales and other operating revenue	Adjusted EBITDA
	(Dollars in millions)			
Prior year period	$167.5	$ 41.1	$346.4	$ 87.4
Volumes[1]	(1.2)	0.8	(3.7)	1.4
Coal cost recovery and yields[2]	17.1	(0.8)	14.9	(3.4)
Operating and maintenance costs	0.7	(2.2)	0.4	(3.0)
Energy and other[3]	(2.1)	(1.4)	(2.8)	(2.4)
Current year period	$182.0	$ 37.5	$355.2	$ 80.0

(1) We delivered lower volumes to AK Steel in 2017 compared to 2016, but received make-whole payments based on the terms of our long-term, take-or-pay contract. As such this reduction in volumes did not impact the period-over-period change in Adjusted EBITDA.

(2) The increase in revenues was primarily driven by the pass-through of higher coal prices. Additionally, as a result of unfulfilled coal supply commitments by our coal supplier, substitute coal suppliers are currently meeting the shortfall, resulting in higher coal prices as previously discussed in "Items Impacting Comparability." These higher coal prices decreased both revenues and Adjusted EBITDA by $1.4 million for the three months ended June 30, 2017 and $2.8 million for the six months ended June 30, 2017.

(3) The decrease in Adjusted EBITDA was due to slightly higher costs across the fleet, including costs of $0.6 million associated with the planned outage at the Granite City facility in the second quarter.

(4) The decrease in both revenues and Adjusted EBITDA was driven by lower energy sales as a result of the planned outage as discussed above. Adjusted EBITDA was favorably impacted by the absence of the second quarter 2016 write-off of a $1.4 million receivable related to 2015 spot coke sales to Essar Algoma.

Coal Logistics

The following table explains year-over-year changes in our Coal Logistics segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended June 30, 2017 vs. 2016		Six months ended June 30, 2017 vs. 2016	
	Sales and other operating revenue inclusive of intersegment sales	Adjusted EBITDA	Sales and other operating revenue inclusive of intersegment sales	Adjusted EBITDA
	(Dollars in millions)			
Prior year period	$15.6	$ 5.3	$32.7	$ 11.2

Transloading volumes[1]	4.6	4.3	11.7	11.3
Price/margin impact of mix in transloading services	(0.5)	(0.5)	(0.4)	(0.4)
Operating and maintenance costs and other	0.4	0.5	0.3	0.5
Current year period	$20.1	$ 9.6	$44.3	$ 22.6

(1) The increase in revenues and Adjusted EBITDA during the three and six months ended June 30, 2017 was the result of 971 thousand and 2,385 thousand of higher tons handled as compared to the prior year periods, respectively, primarily at CMT.

Corporate and Other

Corporate and other expenses improved $0.6 million and $0.8 million during the three and six months ended June 30, 2017, respectively, as compared to the same prior year periods due to lower spending on professional services.

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Liquidity and Capital Resources

Our primary liquidity needs are to finance the replacement of partially or fully depreciated assets and other capital expenditures, service our debt, fund investments, fund working capital, maintain cash reserves, and pay distributions. Our sources of liquidity include cash generated from operations, borrowings under our revolving credit facility and, from time to time, debt and equity offerings. We believe our current resources are sufficient to meet our working capital requirements for our current business for the foreseeable future. We may be required to access the capital markets for funding related to the maturities of our long-term borrowings beginning in 2022. As of June 30, 2017, we had $23.5 million of cash and cash equivalents and $183.1 million of borrowing availability under the Partnership Revolver.

Debt Refinancing

During the second quarter of 2017, the Partnership refinanced its debt obligations. The Partnership received $620.6 million of proceeds, net of an original issue discount of $9.4 million, from the issuance of the 7.5 percent 2025 Partnership Notes and $100.0 million of proceeds from borrowings under the Partnership's amended and restated credit facility. The Partnership also increased its capacity to $285.0 million and extended its maturities to 2022 under the Partnership Revolver. In connection with the debt issuance, the Partnership incurred debt issuance costs of $14.8 million, which were included in long-term debt and financing obligation on the Consolidated Balance Sheets as of June 30, 2017.

During the second quarter of 2017, the Partnership used the proceeds, described above, to purchase and redeem all of its 2020 Partnership Notes, including principal of $463.0 million and a premium of $18.7 million, to repay the $50.0 million outstanding on the Partnership Term Loan and to repay $172.0 million on the Partnership Revolver. The Partnership also paid $11.0 million of accrued interest to purchase and redeem all of its 2020 Partnership Notes.

The Partnership intends to repay the outstanding balance on the Partnership's Promissory Note of $112.6 million in August 2017, primarily using available borrowing capacity under the Partnership Revolver. The Partnership anticipates annualized interest expense, net to increase by approximately $8 million, which includes approximately $6 million of cash interest, net of $3 million of interest savings from the anticipated refinancing of the Partnership Promissory Note in August 2017, and $2 million of amortization of debt issuance costs and discounts. See Note 7 to our consolidated financial statements for further details.

Covenants

As of June 30, 2017, the Partnership was in compliance with all applicable debt covenants. We do not anticipate violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing. See Note 7 to the consolidated financial statements for details on debt covenants.

Credit Rating

In May 2017, Moody's Investor Services ("Moody's") upgraded the SunCoke's corporate family rating to B1 from B2, in connection with the refinancing of the Partnership's capital structure. The rating upgrade reflects the improved steel market fundamentals and the strengthened financial position of our customers as well as de-leveraging undertaken by the Partnership in the past 24 months.

Distributions

On July 17, 2017, our Board of Directors declared a quarterly cash distribution of $0.5940 per unit. This distribution will be paid on September 1, 2017 to unitholders of record on August 15, 2017.

Cash Flow Summary

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
	2017	2016
	(Dollars in millions)	
Net cash provided by operating activities	$51.6	$108.1

Net cash used in investing activities	(9.8)	(4.6)
Net cash used in financing activities	(60.1)	(98.0)
Net (decrease) increase in cash and cash equivalents	$(18.3)	$5.5

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Cash Provided by Operating Activities

Net cash provided by operating activities decreased by $56.5 million to $51.6 million for the six months ended June 30, 2017 as compared to $108.1 million in the corresponding period of 2016. The decrease in operating cash flows is primarily driven by the unfavorable year-over-year change in primary working capital, which is comprised of accounts receivable, inventories and accounts payable, of approximately $25 million due mostly to fluctuating coal prices and inventory levels. Further contributing to the unfavorable year-over-year change was the payment of $7.0 million of the deferred corporate allocated costs to SunCoke during the second quarter of 2017, which had been deferred in the prior year period.

Additionally, as a result of the current period debt refinancing, the Partnership made additional interest payments of$11.0 million during the second quarter of 2017 as interest payments normally made in the third quarter were accelerated in conjunction with the refinancing. These accelerated payments were partly offset by $3.9 million of lower interest payments made in the current year period as compared to the prior year period as debt repurchases throughout 2016 lowered outstanding debt balances. The remaining decrease was primarily due to the impact of the planned outage and coal cost under-recovery at our Domestic Coke segment during the six months ended June 30, 2017 as compared to the same prior year period.

Cash Used in Investing Activities

Net cash used in investing activities increased $5.2 million for the six months ended June 30, 2017 as compared to the corresponding period in 2016. The increase was due to an amendment in an agreement with The Cline Group during the first quarter of 2016, which unrestricted $6.0 million of previously restricted cash and relieved the Partnership of any obligation to repay these amounts to The Cline Group. The year-over-year increase in cash used in investing activities was partially offset by lower capital expenditures during the first half of 2017 as compared to the same prior year period.

Cash Used in Financing Activities

Net cash used in financing activities was $60.1 million for the six months ended June 30, 2017. In the first half of 2017, the Partnership received gross proceeds of $620.6 million from the issuance of the 2025 Partnership Senior Notes and $100.0 million from the Partnership Revolver under its amended and restated credit facility. The Partnership used the proceeds received primarily to repay $532.2 million of long-term debt, to repay $172.0 million on the Partnership Revolver and pay $13.9 million of debt issuance costs related to the debt refinancing. Additionally, the Partnership paid distributions of $61.4 million to its unitholders and SunCoke during the first half of 2017.

Net cash used in financing activities was $98.0 million for the six months ended June 30, 2016. In the first half of 2016, the Partnership repaid $47.0 million of long-term debt, primarily Partnership Notes, and paid distributions of $59.4 million. The repayments of debt and distributions were partially offset by capital contributions from SunCoke of $8.4 million from the reimbursement holiday and IDR giveback.

Capital Requirements and Expenditures

Our cokemaking operations are capital intensive, requiring significant investment to upgrade or enhance existing operations and to meet environmental and operational regulations. The level of future capital expenditures will depend on various factors, including market conditions and customer requirements, and may differ from current or anticipated levels. Material changes in capital expenditure levels may impact financial results, including but not limited to the amount of depreciation, interest expense and repair and maintenance expense.

Our capital requirements have consisted, and are expected to consist, primarily of:

- Ongoing capital expenditures required to maintain equipment reliability, ensure the integrity and safety of our coke ovens and steam generators and to comply with environmental regulations. Ongoing capital expenditures are made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and/or to extend their useful lives and also include new equipment that improves the efficiency, reliability or effectiveness of existing assets. Ongoing capital expenditures do not include normal repairs and maintenance expenses, which are expensed as incurred;
- Environmental remediation project expenditures required to implement design changes to ensure that our existing facilities operate in accordance with existing environmental permits; and
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Expansion capital expenditures to acquire and/or construct complementary assets to grow our business and to expand existing facilities as well as capital expenditures made to enable the renewal of a coke sales agreement and on which we expect to earn a reasonable return.

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The following table summarizes ongoing, environmental remediation projects and expansion capital expenditures for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
	2017	2016
	(Dollars in millions)	
Ongoing capital	$1.2	$6.3
Environmental remediation capital[(1)]	8.4	5.1
Expansion capital - CMT[(2)]	0.3	10.7
Total	$9.9	$22.1

(1) Includes $0.3 million and $1.4 million of capitalized interest, in connection with the environmental remediation projects, during the six months ended June 30, 2017 and 2016, respectively.

(2) Represents capital expenditures of $9.5 million for the ship loader expansion project funded with cash withheld in conjunction with the acquisition of CMT and $1.2 million of capitalized interest for the six months ended June 30, 2016.

In 2017, we expect our capital expenditures to be approximately $45 million, which is comprised of the following:

- Total ongoing capital expenditures of approximately $17 million;
- Total capital expenditures on environmental remediation projects of approximately $25 million; and
- Total expansion capital of approximately $3 million in our Coal Logistics segment.

We expect that capital expenditures will remain at this level in 2018, including capital expenditures of approximately $25 million to complete the remediation project.

We retained $119 million in proceeds from our initial public offering and subsequent dropdowns to fund our environmental remediation projects to comply with the expected terms of a consent decree at the Haverhill and Granite City cokemaking operations. Pursuant to the omnibus agreement, any amounts that we spend on these projects in excess of the $119 million will be reimbursed by SunCoke. Prior to our formation, SunCoke spent approximately $7 million related to these projects. The Partnership has spent approximately $94 million to date and the remaining capital is expected to be spent through the first quarter of 2019.

Off-Balance Sheet Arrangements

We have letters of credit, operating leases and outstanding surety bonds to secure reclamation and other performance commitments. There have been no significant changes to these arrangements during the six months ended June 30, 2017. Please refer to our Annual Report on Form 10-K filed on February 16, 2017 for further disclosure of these arrangements. Other than these arrangements, the Partnership has not entered into any transactions, agreements or other contractual arrangements that would result in material off-balance sheet liabilities.

Critical Accounting Policies

There have been no significant changes to our accounting policies during the six months ended June 30, 2017. Please refer to our Annual Report on Form 10-K filed on February 16, 2017 for a summary of these policies.

Recent Accounting Standards

See Note 1 to our consolidated financial statements.

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Non-GAAP Financial Measures

In addition to the GAAP results provided in the Annual Report on Form 10-K, we have provided a non-GAAP financial measure, Adjusted EBITDA. Our management, as well as certain investors, uses this non-GAAP measure to analyze our current and expected future financial performance and liquidity. This measure is not in accordance with, or a substitute for, GAAP and may be different from, or inconsistent with, non-GAAP financial measures used by other companies. See Note 10 in our consolidated financial statements for both the definition of Adjusted EBITDA and the reconciliations from GAAP to the non-GAAP measurement for the three and six months ended June 30, 2017 and 2016, respectively. This reconciliation has been updated to reflect the impact of our debt refinancing activity.

Below is a reconciliation of 2017 estimated Adjusted EBITDA from its closest GAAP measures:

	2017	
	Low	High
Net Cash Provided by Operating Activities	$130	$150
Subtract:		
Depreciation and amortization expense	86	86
Deferred income tax expense	149	149
Changes in working capital and other	(23)	(14)
Loss on extinguishment of debt	20	20
Net loss	$(102)	$(91)
Add:		
Depreciation and amortization expense	86	86
Interest expense, net	58	57
Loss on extinguishment of debt	20	20
Income tax expense	151	151
Adjusted EBITDA	$213	$223
Subtract: Adjusted EBITDA attributable to noncontrolling interest[1]	3	3
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$210	$220

(1) Reflects net income attributable to noncontrolling interest adjusted for noncontrolling interest's share of interest, taxes, income, and depreciation and amortization.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Quarterly Report on Form 10-Q, including, among others, in the sections entitled "Risk Factors," "Quantitative and Qualitative Disclosures About Market Risk" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Such forward-looking statements are based on management's beliefs and assumptions and on information currently available. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance, and the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and may be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "will," "should" or the negative of these te similar expressions. In particular, statements in this Quarterly Report on Form 10-Q concerning future distributions are subject to approval by our Board of Directors and will be based upon circumstances then existing.
Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update any forward-looking statement (or its associated cautionary language), whether as a result of new information or future events, after the date of this Quarterly Report on Form 10-Q, except as required by applicable law.
The risk factors discussed in "Risk Factors" could cause our results to differ materially from those expressed in the forward-looking statements made in this Quarterly 10-Q. There also may be other risks that we are unable to predict at this time. Such risks and uncertainties include, without limitation:

- changes in levels of production, production capacity, pricing and/or margins for coal and coke;
- variation in availability, quality and supply of metallurgical coal used in the cokemaking process, including as a result of non-performance by our suppliers;
- changes in the marketplace that may affect our coal logistics business, including the supply and demand for thermal and metallurgical coals;
- changes in the marketplace that may affect our cokemaking business, including the supply and demand for our coke, as well as increased imports of coke from foreign producers;
- competition from alternative steelmaking and other technologies that have the potential to reduce or eliminate the use of coke;
- our dependence on, relationships with, and other conditions affecting, our customers;
- severe financial hardship or bankruptcy of one or more of our major customers, or the occurrence of a customer default or other event affecting our ability to collect payments from our customers;
- volatility and cyclical downturns in the coal market, in the carbon steel industry, and other industries in which our customers and/or suppliers operate;
- our ability to enter into new, or renew existing, long-term agreements upon favorable terms for the sale of coke, steam, or electric power, or for coal handling services (including transportation, storage and mixing);
- our ability to identify acquisitions, execute them under favorable terms and integrate them into our existing business operations;
- our ability to realize expected benefits from investments and acquisitions;
- our ability to consummate investments under favorable terms, including with respect to existing cokemaking facilities, which may utilize by-product technology, and integrate them into our existing businesses and have them perform at anticipated levels;
- our ability to develop, design, permit, construct, start up or operate new cokemaking facilities in the U.S.;
- our ability to successfully implement our growth strategy;
- age of, and changes in the reliability, efficiency and capacity of the various equipment and operating facilities used in our cokemaking and/or coal logistics operations, and in the operations of our major customers, business partners and/or suppliers;
- changes in the expected operating levels of our assets;

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- our ability to meet minimum volume requirements, coal-to-coke yield standards and coke quality standards in our coke sales agreements;
- changes in the level of capital expenditures or operating expenses, including any changes in the level of environmental capital, operating or remediation expenditures;
- our ability to service our outstanding indebtedness;
- our ability to comply with the restrictions imposed by our financing arrangements;
- our ability to comply with federal or state environmental statutes, rules or regulations;
- nonperformance or force majeure by, or disputes with, or changes in contract terms with, major customers, suppliers, dealers, distributors or other business partners;
- availability of skilled employees for our cokemaking and/or coal logistics operations, and other workplace factors;
- effects of railroad, barge, truck and other transportation performance and costs, including any transportation disruptions;
- effects of adverse events relating to the operation of our facilities and to the transportation and storage of hazardous materials (including equipment malfunction, explosions, fires, spills, and the effects of severe weather conditions);
- effects of adverse events relating to the business or commercial operations of our customers and/or suppliers;
- disruption in our information technology infrastructure and/or loss of our ability to securely store, maintain, or transmit data due to security breach by hackers, employee error or malfeasance, terrorist attack, power loss, telecommunications failure or other events;
- our ability to enter into joint ventures and other similar arrangements under favorable terms;
- our ability to consummate assets sales, other divestitures and strategic restructuring in a timely manner upon favorable terms, and/or realize the anticipated benefits from such actions;
- changes in the availability and cost of equity and debt financing;
- impacts on our liquidity and ability to raise capital as a result of changes in the credit ratings assigned to our indebtedness;
- changes in credit terms required by our suppliers;
- risks related to labor relations and workplace safety;
- proposed or final changes in existing, or new, statutes, regulations, rules, governmental policies and taxes, or their interpretations, including those relating to environmental matters and taxes;
- the existence of hazardous substances or other environmental contamination on property owned or used by us;
- receipt of required permits and other regulatory approvals and compliance with contractual obligations in connection with our cokemaking and/or coal logistics operations;
- claims of noncompliance with any statutory and regulatory requirements;
- the accuracy of our estimates of any necessary reclamation and/or remediation activities;
- proposed or final changes in accounting and/or tax methodologies, laws, regulations, rules, or policies, or their interpretations, including those affecting inventories, leases, post-employment benefit income, and/or other items;
- historical consolidated financial data may not be reliable indicator of future results;
- public company costs;
- our indebtedness and certain covenants in our debt documents;
- changes in product specifications for the coke that we produce or the coals that we mix, store and transport;
- changes in insurance markets impacting costs and the level and types of coverage available, and the financial ability of our insurers to meet their obligations;
- changes in financial markets impacting pension expense and funding requirements;
- inadequate protection of our intellectual property rights; and

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- effects of geologic conditions, weather, natural disasters and other inherent risks beyond our control.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have material adverse effects on us. All forward-looking statements included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by the foregoing cautionary statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk
There have been no material changes to the Partnership's exposure to market risk disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures
Management’s Evaluation of Disclosure Controls and Procedures
The Partnership maintains disclosure controls and procedures, (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Partnership’s management, including its Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Partnership carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Partnership’s disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Partnership’s Chief Executive Officer and Chief Financial Officer concluded that the Partnership's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting
There have been no changes in the Partnership’s internal control over financial reporting that occurred during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMAITON

Item 1. Legal Proceedings

The information presented in Note 8 to our consolidated financial statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Many legal and administrative proceedings are pending or may be brought against us arising out of our current and past operations, including matters related to commercial and tax disputes, product liability, employment claims, personal injury claims, premises-liability claims, allegations of exposures to toxic substances and general environmental claims. Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them could be resolved unfavorably to us. Our management believes that any liabilities that may arise from such matters would not be material in relation to our business or our consolidated financial position, results of operations or cash flows at June 30, 2017.

Item 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Market Repurchases

There has been no activity with respect to the program to repurchase outstanding units during the three months ended June 30, 2017. Please refer to SunCoke Energy Partners' Annual Report on Form 10-K filed on February 16, 2017 for further information on the program.

Item 4. Mine Safety Disclosures

Certain coal logistics assets are subject to Mine Safety and Health Administration regulatory purview. The information concerning mine safety violations and other regulatory matters that we are required to report in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.014) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

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Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

Exhibit Number	Description
4.1	Indenture, dated May 24, 2017, among SunCoke Energy Partners, L.P., SunCoke Energy Partners Finance Corp., the Guarantors named therein, and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Partnership’s Current Report on Form 8-K, filed on May 25, 2017, File No.: 001-35782).
10.1	Amended and Restated Credit Agreement, dated May 24, 2017, among the SunCoke Energy Partners, L.P., Haverhill Coke Company LLC, Middletown Coke Company, LLC, Gateway Energy & Coke Company, LLC, and certain other subsidiaries of SunCoke Energy Partners, L.P., as joint and several borrowers, the several lenders party thereto from time to time and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Partnership’s Current Report on Form 8-K, filed on May 25, 2017, File No.: 001-35782).
10.2	Note Purchase Agreement, dated May 19, 2017 (incorporated by reference to Exhibit 10.1 to the Partnership’s Current Report on Form 8-K, filed on May 25, 2017, File No.: 001-35782).
31.1*	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95.1*	Mine Safety Disclosures
101*	The following financial statements from SunCoke Energy Partners L.P.'s Quarterly Report on Form 10-Q for the three months ended June 30, 2017, filed with the Securities and Exchange Commission on July 27, 2017, formatted in XBRL (eXtensible Business Reporting Language is attached to this report): (i) the Consolidated Statements of Operations; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statement of Equity; and, (v) the Notes to Consolidated Financial Statements.

* Filed herewith.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lisle, State of Illinois, on July 27, 2017.

SunCoke Energy Partners, L.P.

By: SunCoke Energy Partners GP LLC, its general partner

By: /s/ Fay West
Fay West
Senior Vice President and Chief Financial Officer
(As Principal Financial Officer and Duly Authorized Officer of SunCoke Energy Partners GP LLC)