

American Midstream Partners, LP
Form 10-Q
August 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
x 1934

For the quarterly period ended
June 30, 2016

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: 001-35257

AMERICAN MIDSTREAM PARTNERS, LP

(Exact name of registrant as specified in its charter)

Delaware 27-0855785
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1400 16th Street, Suite 310
Denver, CO 80202
(Address of principal executive offices) (Zip code)
(720) 457-6060
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

There were 31,154,636 common units, 9,797,342 Series A Units, and 8,571,429 Series C Units of American Midstream Partners, LP outstanding as of August 5, 2016. Our common units trade on the New York Stock Exchange under the ticker symbol “AMID.”

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Glossary of Terms

As generally used in the energy industry and in this Quarterly Report on Form 10-Q (the “Quarterly Report”), the identified terms have the following meanings:

Bbl Barrels: 42 U.S. gallons measured at 60 degrees Fahrenheit.

Bbl/d Barrels per day.

Bcf Billion cubic feet.

Bcf /d Billion cubic feet per day.

Btu British thermal unit; the approximate amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Condensate Liquid hydrocarbons present in casinghead gas that condense within the gathering system and are removed prior to delivery to the gas plant. This product is generally sold on terms more closely tied to crude oil pricing.

/d Per day.

FERC Federal Energy Regulatory Commission.

Fractionation Process by which natural gas liquids are separated into individual components.

GAAP Generally accepted accounting principles in the United States of America.

Gal Gallons.

Mgal/d Thousand gallons per day.

MBbl Thousand barrels.

MMBbl Million barrels.

MMBtu Million British thermal units.

Mcf Thousand cubic feet.

MMcf Million cubic feet.

MMcf/d Million cubic feet per day.

NGL or NGLs Natural gas liquid(s) are the combination of ethane, propane, normal butane, isobutane and natural gasoline that, when removed from natural gas, become liquid under various levels of higher pressure and lower temperature.

Throughput

The volume of natural gas transported or passing through a pipeline, plant, terminal or other facility during a particular period.

As used in this Quarterly Report, unless the context otherwise requires, “we,” “us,” “our,” the “Partnership” and similar terms refer to American Midstream Partners, LP, together with its consolidated subsidiaries.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

American Midstream Partners, LP and Subsidiaries

Condensed Consolidated Balance Sheets

(Unaudited, in thousands)

| | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$754 | \$ — |
| Accounts receivable | 8,875 | 3,181 |
| Unbilled revenue | 18,817 | 15,559 |
| Risk management assets | 944 | 365 |
| Other current assets | 13,348 | 10,094 |
| Total current assets | 42,738 | 29,199 |
| Property, plant and equipment, net | 683,109 | 648,013 |
| Goodwill | 16,262 | 16,262 |
| Intangible assets, net | 98,790 | 100,965 |
| Investment in unconsolidated affiliates | 295,572 | 82,301 |
| Other assets, net | 14,497 | 14,556 |
| Total assets | \$1,150,968 | \$ 891,296 |
| Liabilities and Partners' Capital | | |
| Current liabilities | | |
| Accounts payable | \$4,811 | \$ 4,667 |
| Accrued gas purchases | 9,566 | 7,281 |
| Accrued expenses and other current liabilities | 37,077 | 25,035 |
| Current portion of long-term debt | 731 | 2,338 |
| Risk management liabilities | 832 | — |
| Total current liabilities | 53,017 | 39,321 |
| Risk management liabilities | 2,556 | — |
| Asset retirement obligations | 43,430 | 28,549 |
| Other liabilities | 399 | 1,001 |
| Long-term debt | 672,400 | 525,100 |
| Deferred tax liability | 6,661 | 5,826 |
| Total liabilities | 778,463 | 599,797 |
| Commitments and contingencies (See Note 16) | | |
| Convertible preferred units | | |
| Series A convertible preferred units (9,797 thousand and 9,210 thousand units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively) | 176,335 | 169,712 |
| Series C convertible preferred units (8,571 thousand and zero units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively) | 116,390 | — |
| Equity and partners' capital | | |
| General Partner Interests (664 thousand and 536 thousand units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively) | (100,624) | (104,853) |
| Limited Partner Interests (31,146 thousand and 30,427 thousand units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively) | 172,840 | 188,477 |
| Series B convertible units (zero and 1,350 thousand units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively) | — | 33,593 |
| Accumulated other comprehensive income (loss) | 75 | 40 |

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| | | |
|---|-------------|-----------|
| Total partners' capital | 72,291 | 117,257 |
| Noncontrolling interests | 7,489 | 4,530 |
| Total equity and partners' capital | 79,780 | 121,787 |
| Total liabilities, equity and partners' capital | \$1,150,968 | \$891,296 |

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

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American Midstream Partners, LP and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except for per unit amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$56,148 | \$67,198 | \$102,271 | \$131,660 |
| Gain (loss) on commodity derivatives, net | (766) | 311 | (869) | 458 |
| Total revenue | 55,382 | 67,509 | 101,402 | 132,118 |
| Operating expenses: | | | | |
| Purchases of natural gas, NGLs and condensate | 22,102 | 33,334 | 39,014 | 62,311 |
| Direct operating expenses | 16,191 | 13,967 | 30,712 | 27,834 |
| Selling, general and administrative expenses | 11,432 | 5,571 | 19,966 | 12,506 |
| Equity compensation expense | 1,025 | 550 | 2,109 | 2,248 |
| Depreciation, amortization and accretion expense | 10,903 | 9,250 | 20,997 | 18,939 |
| Total operating expenses | 61,653 | 62,672 | 112,798 | 123,838 |
| Gain (loss) on sale of assets, net | 80 | (2,970) | 90 | (2,978) |
| Operating income (loss) | (6,191) | 1,867 | (11,306) | 5,302 |
| Other income (expense): | | | | |
| Interest expense | (8,507) | (3,556) | (14,379) | (6,166) |
| Earnings in unconsolidated affiliates | 11,647 | 4 | 18,990 | 171 |
| Net income (loss) before income tax (expense) benefit | (3,051) | (1,685) | (6,695) | (693) |
| Income tax (expense) benefit | (540) | (317) | (860) | (473) |
| Net income (loss) from continuing operations | (3,591) | (2,002) | (7,555) | (1,166) |
| Income (loss) from discontinued operations, net of tax | — | (31) | — | (26) |
| Net income (loss) | (3,591) | (2,033) | (7,555) | (1,192) |
| Net income (loss) attributable to noncontrolling interests | 992 | 32 | 979 | 46 |
| Net income (loss) attributable to the Partnership | \$(4,583) | \$(2,065) | \$(8,534) | \$(1,238) |
| General Partner's Interest in net income (loss) | \$(61) | \$(25) | \$(113) | \$(14) |
| Limited Partners' Interest in net income (loss) | \$(4,522) | \$(2,040) | \$(8,421) | \$(1,224) |
| Distribution declared per common unit (a) | \$0.4125 | \$0.4725 | \$0.8850 | \$0.9450 |
| Limited partners' net income (loss) per common unit (See Note 13): | | | | |
| Basic and diluted | \$(0.36) | \$(0.35) | \$(0.69) | \$(0.53) |
| Weighted average number of common units outstanding: | | | | |
| Basic and diluted | 30,949 | 22,757 | 30,884 | 22,730 |

(a) Distributions declared and paid each quarter related to prior periods' quarter.

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

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American Midstream Partners, LP and Subsidiaries
 Condensed Consolidated Statements of Comprehensive Income (Loss)
 (Unaudited, in thousands)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income (loss) | \$(3,591) | \$(2,033) | \$(7,555) | \$(1,192) |
| Unrealized gain (loss) on postretirement benefit plan assets and liabilities | 21 | (23) | 35 | (34) |
| Comprehensive income (loss) | (3,570) | (2,056) | (7,520) | (1,226) |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 992 | 32 | 979 | 46 |
| Comprehensive income (loss) attributable to the Partnership | \$(4,562) | \$(2,088) | \$(8,499) | \$(1,272) |

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

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American Midstream Partners, LP and Subsidiaries
 Condensed Consolidated Statements of Changes in Partners' Capital
 and Noncontrolling Interest
 (Unaudited, in thousands)

| | General Partner Interests | Limited Partner Interests | Series B Convertible Units | Accumulated Other Comprehensive Income (Loss) | Total Partners' Capital | Noncontrolling Interest |
|--|---------------------------------|---------------------------------|----------------------------------|--|-------------------------------|----------------------------|
| Balances at December 31, 2014 | \$(2,450) | \$294,695 | \$ 32,220 | \$ 2 | \$324,467 | \$ 4,717 |
| Net income (loss) | (14) | (1,224) | — | — | (1,238) | 46 |
| Issuance of Series B units | — | — | 833 | — | 833 | — |
| Unitholder contributions | 376 | — | — | — | 376 | — |
| Unitholder distributions | (3,004) | (29,800) | — | — | (32,804) | — |
| Net distributions to noncontrolling interests | — | — | — | — | — | (70) |
| LTIP vesting | (2,178) | | | | | |