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Rice Midstream Partners LP
Form 10-Q
August 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended 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: 001-36789

Rice Midstream Partners LP

(Exact name of registrant as specified in its charter)

Delaware

47-1557755

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

2200 Rice Drive

15317

Canonsburg, Pennsylvania

(Address of principal executive offices)

(Zip code)

(724) 271-7200

(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 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 small 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

Smaller reporting company

(Do not check if a 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

At August 2, 2016, there were 81,170,847 units (consisting of 52,417,224 common units and 28,753,623 subordinated units) outstanding.

RICE MIDSTREAM PARTNERS LP
QUARTERLY REPORT ON FORM 10-Q
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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains “forward-looking statements.” All statements, other than statements of historical fact included in this Quarterly Report, regarding our strategy, future operations, financial position, estimated revenues and income/losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words “could,” “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “continue,” and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 Annual Report”) and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the “March 31, 2016 Quarterly Report”), each on file with the Securities and Exchange Commission (the “SEC”).

Forward-looking statements may include statements about:

- the ability of Rice Energy or our other customers to meet their drilling and development plans on a timely basis or at all;
- our business strategy;
- realized natural gas, natural gas liquids (“NGLs”) and oil prices;
- competition and government regulations;
- actions taken by third-party producers, operators, processors and transporters;
- pending legal or environmental matters;
- costs of conducting our gathering and compression and water services operations;
- general economic conditions;
- credit and capital markets;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our gathering and compression and water services businesses. These risks include, but are not limited to, commodity price volatility; inflation; environmental risks; regulatory changes; the uncertainty inherent in projecting future throughput volumes, cash flow and access to capital; the timing of development expenditures of Rice Energy or our other customers; and the other risks described under “Item 1A. Risk Factors” in the 2015 Annual Report and the March 31, 2016 Quarterly Report. Should one or more of the risks or uncertainties described in this Quarterly Report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report.

Commonly Used Defined Terms

As used in the Quarterly Report, unless the context indicates or otherwise requires, the following terms have the following meanings:

- “Rice Midstream Partners LP,” the “Partnership,” “we,” “our,” “us” or like terms refers to Rice Midstream Partners LP and its consolidated subsidiaries;
- “our general partner” refers to Rice Midstream Management LLC, a subsidiary of Rice Energy;
- “Rice Energy” refers to Rice Energy Inc. and its consolidated subsidiaries;
- “GP Holdings” refers to Rice Midstream GP Holdings LP, a subsidiary of Rice Energy;
- “PA Water” refers to Rice Water Services (PA) LLC, a wholly-owned subsidiary of Rice Midstream Partners LP; and
- “OH Water” refers to Rice Water Services (OH) LLC, a wholly-owned subsidiary of Rice Midstream Partners LP.

PART I

Rice Midstream Partners LP
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$15,323	\$ 7,597
Accounts receivable	11,148	9,926
Accounts receivable - affiliate	13,247	6,438
Prepaid expenses, deposits and other	146	192
Total current assets	39,864	24,153
Property and equipment, net	622,551	578,026
Deferred financing costs, net	2,021	2,310
Goodwill	39,142	39,142
Intangible assets, net	45,349	46,159
Total assets	\$748,927	\$ 689,790
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	\$3,221	\$ 13,484
Accrued capital expenditures	6,684	15,277
Other accrued liabilities	9,387	3,067
Total current liabilities	19,292	31,828
Long-term liabilities:		
Long-term debt	—	143,000
Other long-term liabilities	3,346	3,128
Total liabilities	22,638	177,956
Partners' capital:		
Common units (52,417,224 and 42,163,749 issued and outstanding at June 30, 2016 and December 31, 2015, respectively)	825,637	624,557
Subordinated units (28,753,623 issued and outstanding at June 30, 2016 and December 31, 2015)	(99,348)	(112,723)
Total partners' capital	726,289	511,834
Total liabilities and partners' capital	\$748,927	\$ 689,790

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Midstream Partners LP
Condensed Consolidated Statements of Operations ⁽¹⁾
(Unaudited)

(in thousands, except unit data)	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
Operating revenues:				
Affiliate	\$32,622	\$24,482	\$77,007	\$48,342
Third-party	13,925	4,078	24,083	6,729
Total operating revenues	46,547	28,560	101,090	55,071
Operating expenses:				
Operation and maintenance expense ⁽²⁾	4,141	2,703	12,752	5,607
General and administrative expense ^{(2) (3)}	5,787	4,202	10,463	8,396
Incentive unit expense ⁽⁴⁾	—	689	—	1,123
Depreciation expense	6,855	2,953	12,225	6,038
Acquisition costs	—	—	73	—
Amortization of intangible assets	403	408	811	816
Other expense	361	839		