Enable Midstream Partners, LP
Form 10-Q
May 04, 2016
Table of Contents

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

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 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 No. 1-36413

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	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 þ No

As of April 15, 2016, there were 214,467,409 common units and 207,855,430 subordinated units outstanding.

Table of Contents

ENABLE MIDSTREAM PARTNERS, LP
FORM 10-Q
TABLE OF CONTENTS

GLOSSARY

Adjusted EBITDA.	A non-GAAP measure calculated as net income from continuing operations before interest expense, income tax expense, depreciation and amortization expense and certain other items management believes affect the comparability of operating results.
Annual Report.	Annual Report on Form 10-K for the year ended December 31, 2015.
ASU.	Accounting Standards Update.
Barrel.	42 U.S. gallons of petroleum products.
Bbl.	Barrel.
Bbl/d.	Barrels per day.
Bcf/d.	Billion cubic feet per day.
Btu.	British thermal unit. When used in terms of volume, Btu refers to the amount of natural gas required to raise the temperature of one pound of water by one degree Fahrenheit at one atmospheric pressure.
CenterPoint Energy.	CenterPoint Energy, Inc., a Texas corporation, and its subsidiaries, other than Enable Midstream Partners, LP for periods prior to formation of the Partnership on May 1, 2013.
Condensate.	A natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.
EGT.	Enable Gas Transmission, LLC, a wholly owned subsidiary of the Partnership that operates a 5,900-mile interstate pipeline that provides natural gas transportation and storage services to customers principally in the Anadarko, Arkoma and Ark-La-Tex basins in Oklahoma, Texas, Arkansas, Louisiana and Kansas.
Enable GP.	Enable GP, LLC, a Delaware limited liability company and the general partner of Enable Midstream Partners, LP.
Enable Midstream Services.	Enable Midstream Services, LLC, a wholly owned subsidiary of Enable Midstream Partners, LP.
Enogex.	Enogex LLC, a Delaware limited liability company.
EOIT.	Enable Oklahoma Intrastate Transmission, LLC, formerly Enogex LLC, a wholly owned subsidiary of the Partnership that operates a 2,200-mile intrastate pipeline that provides natural gas transportation and storage services to customers in Oklahoma.
Exchange Act.	Securities Exchange Act of 1934, as amended.
FASB.	Financial Accounting Standards Board.
FERC.	Federal Energy Regulatory Commission.
Fractionation.	The separation of the heterogeneous mixture of extracted NGLs into individual components for end-use sale.
GAAP.	Generally accepted accounting principles in the United States.
Gas imbalance.	The difference between the actual amounts of natural gas delivered from or received by a pipeline, as compared to the amounts scheduled to be delivered or received.
General partner.	Enable GP, LLC, a Delaware limited liability company, the general partner of Enable Midstream Partners, LP.
Gross margin.	A non-GAAP measure calculated as revenues minus cost of natural gas and natural gas liquids, excluding depreciation and amortization.
LIBOR.	London Interbank Offered Rate.
MBbl/d.	Thousand barrels per day.
MFA.	Master Formation Agreement dated as of March 14, 2013.
MMcf.	Million cubic feet of natural gas.
MMcf/d.	Million cubic feet per day.
NGLs.	

	Natural gas liquids, which are the hydrocarbon liquids contained within natural gas including condensate.
NYMEX.	New York Mercantile Exchange.
Offering.	Initial public offering of Enable Midstream Partners, LP.
OGE Energy.	OGE Energy Corp., an Oklahoma corporation, and its subsidiaries.
Partnership.	Enable Midstream Partners, LP, and its subsidiaries.

Table of Contents

Partnership Agreement	Third Amended and Restated Agreement of Limited Partnership of Enable Midstream Partners, LP dated as of February 18, 2016.
Purchase Agreement.	Purchase Agreement, dated January 28, 2016, by and between the Partnership and CenterPoint Energy, Inc. for the sale by the Partnership and purchase by CenterPoint Energy, Inc. of Series A Preferred Units.
Revolving Credit Facility.	$1.75 billion senior unsecured revolving credit facility.
SEC.	Securities and Exchange Commission.
Securities Act.	Securities Act of 1933, as amended.
Series A Preferred Units.	10% Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred Units representing limited partner interests in the Partnership.
SESH.	Southeast Supply Header, LLC, in which the Partnership owns a 50% interest, that operates an approximately 290-mile interstate natural gas pipeline from Perryville, Louisiana to southwestern Alabama near the Gulf Coast.
TBtu.	Trillion British thermal units.
TBtu/d.	Trillion British thermal units per day.
WTI.	West Texas Intermediate.
2015 Term Loan Agreement.	$450 million unsecured term loan agreement.
2019 Notes.	$500 million 2.400% senior notes due 2019.
2024 Notes.	$600 million 3.900% senior notes due 2024.
2044 Notes.	$550 million 5.000% senior notes due 2044.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, when considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report and in our Annual Report on Form 10-K for the year ended December 31, 2015 (Annual Report). Those risk factors and other factors noted throughout this report and in our Annual Report could cause our actual results to differ materially from those disclosed in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

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

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

3

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2016	2015
	(In millions, except per unit data)	
Revenues (including revenues from affiliates (Note 11)):		
Product sales	$245	$351
Service revenue	264	265
Total Revenues	509	616
Cost and Expenses (including expenses from affiliates (Note 11)):		
Cost of natural gas and natural gas liquids (excluding depreciation and amortization shown separately)	195	292
Operation and maintenance	95	104
General and Administrative	20	26
Depreciation and amortization	81	73
Taxes other than income taxes	15	17
Total Cost and Expenses	406	512
Operating Income	103	104
Other Income (Expense):		
Interest expense (including expenses from affiliates (Note 11))	(23)	(20)
Equity in earnings of equity method affiliates	7	7
Other, net	—	1
Total Other Income (Expense)	(16)	(12)
Income Before Income Taxes	87	92
Income tax expense	1	1
Net Income	$86	$91
Less: Net income attributable to noncontrolling interest	—	—
Less: Series A Preferred Unit distributions (Note 4)	—	—
Net Income attributable to common and subordinated units (Note 3)	$86	$91
Basic earnings per unit (Note 3)		
Common units	$0.21	$0.22
Subordinated units	$0.20	$0.21
Diluted earnings per unit (Note 3)		
Common units	$0.19	$0.22
Subordinated units	$0.20	$0.21
Basic weighted average number of outstanding (Note 3)		
Common units	214	214
Subordinated units	208	208

Diluted weighted average number of outstanding (Note 3)		
Common units	235	214
Subordinated units	208	208

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Net income	$ 86	$ 91
Comprehensive income	86	91
Less: Comprehensive income attributable to noncontrolling interest	—	—
Comprehensive income attributable to Enable Midstream Partners, LP	$ 86	$ 91

See Notes to the Unaudited Condensed Consolidated Financial Statements
5

Table of Contents

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

	March 31, 2016	December 31, 2015
	(In millions)	
Current Assets:		
Cash and cash equivalents	$38	$ 4
Accounts receivable	226	245
Accounts receivable—affiliated companies	16	21
Inventory	45	53
Gas imbalances	20	23
Other current assets	35	35
Total current assets	380	381
Property, Plant and Equipment:		
Property, plant and equipment	11,395	11,293
Less accumulated depreciation and amortization	1,219	1,162
Property, plant and equipment, net	10,176	10,131
Other Assets:		
Intangible assets, net	327	333
Investment in equity method affiliates	331	344
Other	35	37
Total other assets	693	714
Total Assets	$11,249	$ 11,226
Current Liabilities:		
Accounts payable	$153	$ 248
Accounts payable—affiliated companies	6	9
Short-term debt	—	236
Taxes accrued	29	30
Gas imbalances	7	25
Other	85	67
Total current liabilities	280	615
Other Liabilities:		
Accumulated deferred income taxes, net	8	8
Notes payable—affiliated companies	—	363
Regulatory liabilities	18	18
Other	22	20
Total other liabilities	48	409
Long-Term Debt	3,074	2,671
Commitments and Contingencies (Note 12)		
Partners’ Equity:		
Series A Preferred Units (14,520,000 issued and outstanding at March 31, 2016 and 0 issued and outstanding at December 31, 2015)	362	—
Common units (214,467,409 issued and outstanding at March 31, 2016 and 214,541,422 issued and outstanding at December 31, 2015, respectively)	3,692	3,714
Subordinated units (207,855,430 issued and outstanding at March 31, 2016 and December 31, 2015, respectively)	3,781	3,805
Noncontrolling interest	12	12
Total Partners’ Equity	7,847	7,531

Total Liabilities and Partners' Equity	$11,249	$ 11,226

See Notes to the Unaudited Condensed Consolidated Financial Statements

6

Table of Contents

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

	Three Months Ended March 31, 2016	2015
	(In millions)	
Cash Flows from Operating Activities:		
Net income	$86	$91
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81	73
Loss on sale/retirement of assets	1	—
Equity in earnings of equity method affiliates, net of distributions	—	5
Equity based compensation	2	3
Amortization of debt costs and discount (premium)	(1)	(1)
Changes in other assets and liabilities:		
Accounts receivable, net	19	2
Accounts receivable—affiliated companies	5	(2)
Inventory	8	13
Gas imbalance assets	3	8
Other current assets	—	6
Other assets	1	(2)
Accounts payable	(84)	18
Accounts payable—affiliated companies	(3)	(21)
Gas imbalance liabilities	(18)	(5)
Other current liabilities	15	2
Other liabilities	2	(2)
Net cash provided by operating activities	117	188
Cash Flows from Investing Activities:		
Capital expenditures	(130)	(239)
Investment in equity method affiliates	—	(6)
Return of investment in equity method affiliates	13	—
Net cash used in investing activities	(117)	(245)
Cash Flows from Financing Activities:		
Proceeds from revolving credit facility	495	—
Repayment of revolving credit facility	(90)	—
Increase (decrease) in short-term debt	(236)	183
Repayment of notes payable—affiliated companies	(363)	—
Proceeds from issuance of Series A Preferred Units, net of issuance costs	362	—
Distributions	(134)	(130)
Net cash provided by financing activities	34	53
Net Increase (Decrease) in Cash and Cash Equivalents	34	(4)
Cash and Cash Equivalents at Beginning of Period	4	12
Cash and Cash Equivalents at End of Period	$38	$8

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents

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

	Series A Preferred Units		Common Units		Subordinated Units		Noncontrolling Interest	Total Partners' Equity
	Units	Value	Units	Value	Units	Value	Value	Value
	(In millions)							
Balance as of December 31, 2014	—	$—	214	$4,353	208	$4,439	$ 31	$8,823
Net income	—	—	—	48	—	43	—	91
Distributions	—	—	—	(66)	—	(64)	—	$(130)
Equity based compensation	—	—	—	3	—	—	—	$3
Balance as of March 31, 2015	—	$—	214	$4,338	208	$4,418	$ 31	$8,787
Balance as of December 31, 2015	—	$—	214	$3,714	208	$3,805	$ 12	$7,531
Net income	—	—	—	44	—	42	—	86
Issuance of Series A Preferred Units	15	362	—	—	—	—	—	362
Distributions	—	—	—	(68)	—	(66)	—	(134)
Equity based compensation	—	—	—	2	—	—	$ —	2
Balance as of March 31, 2016	15	$362	214	$3,692	208	$3,781	$ 12	$7,847

See Notes to the Unaudited Condensed Consolidated Financial Statements
8

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

(1) Summary of Significant Accounting Policies

Organization

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

The Partnership is controlled equally by CenterPoint Energy and OGE Energy, who each have 50% of the management rights of Enable GP. Enable GP was established by CenterPoint Energy and OGE Energy to govern the Partnership and has no other operating activities. Enable GP is governed by a board made up of an equal number of representatives designated by each of CenterPoint Energy and OGE Energy, along with the independent board members CenterPoint Energy and OGE Energy mutually agreed to appoint. Based on the 50/50 management ownership, with neither company having control, CenterPoint Energy and OGE Energy do not consolidate their interests in the Partnership. CenterPoint Energy and OGE Energy also own a 40% and 60% interest, respectively, in the incentive distribution rights held by Enable GP. As of March 31, 2016, CenterPoint Energy held approximately 55.4% of the common and subordinated units in the Partnership, or 94,151,707 common units and 139,704,916 subordinated units, and OGE Energy held approximately 26.3% of the common and subordinated units in the Partnership, or 42,832,291 common units and 68,150,514 subordinated units. Additionally, CenterPoint Energy holds 14,520,000 Series A Preferred Units. See Note 4 for further information related to the Series A Preferred Units.

For the period from December 31, 2014 through June 29, 2015, the financial statements reflect a 49.90% interest in SESH. On June 12, 2015, CenterPoint Energy exercised its put right with respect to a 0.1% interest in SESH. Pursuant to the put right, on June 30, 2015, CenterPoint Energy contributed its remaining 0.1% interest in SESH to the Partnership in exchange for 25,341 common units representing limited partner interests in the Partnership. As of March 31, 2016, the Partnership owned a 50% interest in SESH. See Note 6 for further discussion of SESH.

Basis of Presentation

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

These condensed consolidated financial statements and the related financial statement disclosures reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. Amounts reported in the Partnership’s Condensed Consolidated

Statements of Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests.

For a description of the Partnership’s reportable segments, see Note 14.

Use of Estimates

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

Table of Contents

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. It is the policy of management to review the outstanding accounts receivable at least quarterly, as well as the bad debt write-offs experienced in the past. Based on this review, a $3 million allowance for doubtful accounts was recognized as of March 31, 2016. There was no allowance for doubtful accounts as of December 31, 2015.

Third Amended and Restated Agreement of Limited Partnership of Enable Midstream Partners, LP

On February 18, 2016, in connection with the closing of the private placement of 14,520,000 Series A Preferred Units and pursuant to the Purchase Agreement, the General partner adopted the Third Amended and Restated Agreement of Limited Partnership (the Partnership Agreement) which, among other things, authorized and established the terms of the Series A Preferred Units and the other series of preferred units that are issuable upon conversion of the Series A Preferred Units. For further information related to the issuance of the Series A Preferred Units, see Note 4.

(2) New Accounting Pronouncements

Revenue from Contracts with Customers

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

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

In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606)-Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”. ASU No. 2016-08 requires an entity to determine whether the nature of its promise is to provide the specified good or service itself (i.e., the entity is a principal) or to arrange for that good or service to be provided by the other party (i.e., the entity is an agent) when another party is involved in providing goods or services to a customer. Additionally, the amendments in this ASU require an entity that is a principal to recognize revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer, and require an entity that is an agent to recognize revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. ASU 2016-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and is to be applied retrospectively, with early application not permitted. The Partnership is currently evaluating the impact, if any, the adoption of this standard will have on our Condensed Consolidated Financial Statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606)-Identifying Performance Obligations and Licensing”. The amendments in ASU No. 2016-10 impact entities with transactions that include contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration, and they require entities to recognize revenue by following certain steps, including (1) identifying the contract(s) with a customer; (2) identifying the performance obligations in a contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when, or as, the entity satisfies a performance obligation. Notably, ASU No. 2016-10 does not impact the core revenue recognition principles set forth in Topic 606, but rather clarifies the identification of performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. ASU 2016-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and is to be applied retrospectively, with early application not permitted. The Partnership is currently evaluating the impact, if any, the adoption of this standard will have on our Condensed Consolidated Financial Statements and related disclosures.

Table of Contents

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation,” to improve consolidation guidance for certain types of legal entities. The guidance modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for certain money market funds. The Partnership adopted the amendment in the first quarter of 2016, which resulted in no impact to our Condensed Consolidated Financial Statements and related disclosures.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. The Partnership adopted the amendment in the first quarter of 2016 on a retrospective basis in order to conform the presentation of debt issuance costs on the Condensed Consolidated Balance Sheets. At each of March 31, 2016 and December 31, 2015, the Partnership had unamortized debt expense of $12 million classified as a reduction of Long-Term Debt in the Condensed Consolidated Balance Sheets. Unamortized debt expense related to the Revolving Credit Facility of $5 million and $6 million as of March 31, 2016 and December 31, 2015, respectively, is classified as Other Assets in the Condensed Consolidated Balance Sheets.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes—Balance Sheet Classification of Deferred Taxes.” This ASU eliminates the requirement to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, all deferred tax assets and liabilities will be classified as non-current. ASU 2015-17 is effective for all interim and annual periods beginning after December 16, 2016 and early application is permitted. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Partnership adopted the amendment in the first quarter of 2016, which resulted in no impact to our Condensed Consolidated Financial Statements and related disclosures.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases”. The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Partnership expects to adopt the amendments in the first quarter of 2019 and is currently evaluating the impacts of the amendments to our Condensed Consolidated Financial Statements and accounting practices for leases.

Share-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, “Compensation—Stock Compensation (Topic 718).” This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU

2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. The Partnership is currently assessing how the adoption of this standard will impact our Condensed Consolidated Financial Statements and related disclosures.

Table of Contents

(3) Earnings Per Limited Partner Unit

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

	Three Months Ended March 31,	
	2016	2015
	(In millions, except per unit data)	
Net income	$86	$91
Net income attributable to noncontrolling interest	—	—
Series A Preferred Unit distribution	—	—
General partner interest in net income	—	—
Net income available to common and subordinated unitholders	$86	$91
Net income allocable to common units	$44	$48
Net income allocable to subordinated units	42	43
Net income available to common and subordinated unitholders	$86	$91
Net income allocable to common units	$44	$48
Series A Preferred Unit Distribution	—	—