

Shell Midstream Partners, L.P.  
Form 10-Q  
November 12, 2015  
F

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 September 30, 2015

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: 001-36710

Shell Midstream Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware 46-5223743  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)  
One Shell Plaza, 910 Louisiana Street, Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

(713) 241-6161

(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 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  Accelerated filer

Non-accelerated filer  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

The registrant had 75,167,376 common units and 67,475,068 subordinated units outstanding as of November 12, 2015.

SHELL MIDSTREAM PARTNERS, L.P.

TABLE OF CONTENTS

	Page
<u>Part</u>	
<u>L</u>	
<u>Financial</u>	
<u>Information</u>	
<u>Item</u>	
<u>1.</u>	
<u>Financial</u>	
<u>Statements</u>	
<u>Unaudited</u>	
<u>Condensed</u>	
<u>Consolidated</u>	
<u>Balance</u>	
<u>Sheets</u> <sup>3</sup>	
<u>Unaudited</u>	
<u>Condensed</u>	
<u>Consolidated</u>	
<u>Statements</u>	
<u>of</u>	
<u>Income</u> <sup>4</sup>	
<u>Unaudited</u>	
<u>Condensed</u>	
<u>Consolidated</u>	
<u>Statements</u>	
<u>of</u>	
<u>Cash</u>	
<u>Flows</u> <sup>5</sup>	
<u>Unaudited</u>	
<u>Condensed</u>	
<u>Consolidated</u>	
<u>Statement</u>	
<u>of</u>	
<u>Changes</u>	
<u>in</u>	
<u>Equity</u> <sup>6</sup>	
<u>Notes</u>	
<u>to</u>	
<u>Unaudited</u>	
<u>Condensed</u>	
<u>Consolidated</u>	
<u>Financial</u>	
<u>Statements</u> <sup>7</sup>	

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

Item  
3.  
Quantitative  
and  
Qualitative  
Disclosures  
About  
Market  
Risk 36

Item  
4.  
Controls  
and  
Processes

Part  
II.  
Other  
Information

Item  
1.  
Legal  
Proceedings

Item  
1A.  
Risk  
Factors

Item  
5.  
Other  
Information

Item

6.

Exhibits

Signature

2

---

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

## SHELL MIDSTREAM PARTNERS, L.P.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015	December 31, 2014
	(in millions of dollars)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 117.5	\$ 150.2
Accounts receivable - third parties, net	16.2	16.3
Accounts receivable - related parties	3.8	10.3
Allowance oil	4.6	3.4
Prepaid expenses	1.3	3.6
<b>Total current assets</b>	<b>143.4</b>	<b>183.8</b>
Equity method investments	186.7	160.7
Property, plant and equipment, net	271.8	275.0
Other assets	6.8	4.2
<b>Total assets</b>	<b>\$ 608.7</b>	<b>\$ 623.7</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - third parties	\$ 0.2	\$ —
Accounts payable - related parties	5.9	10.6
Debt payable - related party	420.8	—
Distribution payable to SPLC	—	11.9
Deferred revenue - third parties	6.5	15.3
Deferred revenue - related parties	6.2	4.7
Accrued liabilities - third parties	11.1	0.9
Accrued liabilities - related parties	1.3	1.4
<b>Total current liabilities</b>	<b>452.0</b>	<b>44.8</b>
<b>Total liabilities</b>	<b>452.0</b>	<b>44.8</b>
Commitments and Contingencies (Note 11)		
<b>EQUITY</b>		
Common unitholders - public (53,692,308 and 46,000,000 units issued and		
outstanding as of September 30, 2015 and December 31, 2014)	1,330.4	1,016.2
Common unitholder - SPLC (21,475,068 units issued and		
outstanding as of September 30, 2015 and December 31, 2014)	(133.9 )	(140.3 )
Subordinated unitholder - SPLC (67,475,068 units issued and		
outstanding as of September 30, 2015 and December 31, 2014)	(421.2 )	(440.9 )
General Partner - SPLC (2,911,070 and 2,754,084 units issued and	(722.7 )	(18.0 )

Edgar Filing: Shell Midstream Partners, L.P. - Form 10-Q

outstanding as of September 30, 2015 and December 31, 2014)		
Total partners' capital	52.6	417.0
Noncontrolling interest	104.1	161.9
Total equity	156.7	578.9
Total liabilities and equity	\$ 608.7	\$ 623.7

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

## SHELL MIDSTREAM PARTNERS, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	(in millions of dollars, except per unit data)		(in millions of dollars, except per unit data)	
	Predecessor	Predecessor	Predecessor	Predecessor
Revenue				
Third parties	\$57.5	\$ 34.7	\$145.3	\$ 93.6
Related parties	14.9	12.2	36.4	33.2
Total revenue	72.4	46.9	181.7	126.8
Costs and expenses				
Operations and maintenance - third parties	9.2	4.4	23.8	18.6
Operations and maintenance - related parties	3.6	4.3	10.9	11.5
Loss from disposition of fixed assets	—	0.2	—	0.2
General and administrative - third parties	1.6	0.3	6.6	1.8
General and administrative - related parties	4.9	2.5	14.7	9.3
Depreciation	3.5	2.9	10.4	8.2
Property and other taxes	0.7	1.2	7.1	4.3
Total costs and expenses	23.5	15.8	73.5	53.9
Operating income	48.9	31.1	108.2	72.9
Income from equity investments	24.1	—	47.4	—
Dividend income from investment	2.7	—	6.6	—
Other income	0.1	—	1.1	—
Investment, dividend and other income	26.9	—	55.1	—
Interest expense, net	1.7	0.1	2.2	0.1
Income before income taxes	74.1	31.0	161.1	72.8
Income tax expense	(0.3 )	—	—	—
Net income	74.4	\$ 31.0	161.1	\$ 72.8
Less: Net income attributable to noncontrolling interests	20.1		51.0	
Net income attributable to the Partnership	\$54.3		\$110.1	
General Partner's interest in net income attributable to the Partnership	\$1.5		\$2.7	
Limited Partners' interest in net income attributable to the Partnership	\$52.8		\$107.4	
Net income per Limited Partner Unit - Basic and Diluted (in dollars):				
Common	\$0.37		\$0.77	
Subordinated	0.37		0.77	

Weighted average Limited Partner Units outstanding - Basic and Diluted (in millions):