Summit Midstream Partners, LP
Form 10-Q
August 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)
[X] 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: 001-35666
Summit Midstream Partners, LP
(Exact name of registrant as specified in its charter)

Delaware	45-5200503
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1790 Hughes Landing Blvd, Suite 500 The Woodlands, TX (Address of principal executive offices)	77380 (Zip Code)

(832) 413-4770
(Registrant’s telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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. x Yes o 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).
x Yes o No

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

Large accelerated filer x
Accelerated filer o
Smaller reporting company o

Non-accelerated
filer
o (Do
not
check
if
a
smaller
reporting
company)
Emerging
growth
company
o

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. o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	As of July 31, 2017
Common Units	73,058,946 units
General Partner Units	1,490,999 units

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COMMONLY USED OR DEFINED TERMS

2014 SRS	the Partnership's automatic shelf registration statement of well-known seasoned issuers initially filed with the SEC in July 2014 and amended in February 2017 which registered an indeterminate amount of common units, debt securities and guarantees
2016 Drop Down	the Partnership's March 3, 2016 acquisition of substantially all of (i) the issued and outstanding membership interests in Summit Utica, Meadowlark Midstream and Tioga Midstream and (ii) SMP Holdings' 40% ownership interest in Ohio Gathering from SMP Holdings
2016 SRS	the Partnership's shelf registration statement declared effective in November 2016 which registered up to $1.5 billion of equity and debt securities in primary offerings and 36,701,230 common units beneficially owned by Summit Investments and affiliates of the Sponsor
2017 SRS	the Partnership's automatic shelf registration statement of well-known seasoned issuers filed with the SEC in July 2017 which registered an indeterminate amount of common units, debt securities and guarantees
5.5% Senior Notes	Summit Holdings' and Finance Corp. 5.5% senior unsecured notes due August 2022
7.5% Senior Notes	Summit Holdings' and Finance Corp. 7.5% senior unsecured notes redeemed March 2017
5.75% Senior Notes	Summit Holdings' and Finance Corp. 5.75% senior unsecured notes due April 2025
AMI	area of mutual interest; AMIs require that any production from wells drilled by our customers within the AMI be shipped on and/or processed by our gathering systems
associated natural gas	a form of natural gas which is found with deposits of petroleum, either dissolved in the oil or as a free gas cap above the oil in the reservoir
ASU	Accounting Standards Update
Bbl	one barrel; used for crude oil and produced water and equivalent to 42 U.S. gallons
Bcf	one billion cubic feet
Bcfe/d	the equivalent of one billion cubic feet per day; generally calculated when liquids are converted into gas; determined using a ratio of six thousand cubic feet of natural gas to one barrel of liquids
Bison Midstream	Bison Midstream, LLC
Board of Directors	the board of directors of our General Partner
condensate	a natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions
Deferred Purchase Price Obligation	the deferred payment liability recognized in connection with the 2016 Drop Down
DFW Midstream	DFW Midstream Services LLC
DJ Basin	Denver-Julesburg Basin
dry gas	natural gas primarily composed of methane where heavy hydrocarbons and water either do not exist or have been removed through processing or treating
Energy Capital Partners	Energy Capital Partners II, LLC and its parallel and co-investment funds; also known as the Sponsor
Epping	Epping Transmission Company, LLC
EPU	earnings or loss per unit
FASB	Financial Accounting Standards Board

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Finance Corp.	Summit Midstream Finance Corp.
GAAP	accounting principles generally accepted in the United States of America
General Partner	Summit Midstream GP, LLC
Grand River	Grand River Gathering, LLC
IDR	incentive distribution rights
IPO	initial public offering
LIBOR	London Interbank Offered Rate
Mbbl	one thousand barrels
Mbbl/d	one thousand barrels per day
Mcf	one thousand cubic feet
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Meadowlark Midstream	Meadowlark Midstream Company, LLC
MMcf	one million cubic feet
MMcf/d	one million cubic feet per day
Mountaineer Midstream	Mountaineer Midstream gathering system
MVC	minimum volume commitment
NGL	natural gas liquids; the combination of ethane, propane, normal butane, iso-butane and natural gasolines that when removed from unprocessed natural gas streams become liquid under various levels of higher pressure and lower temperature
Niobrara G&P	Niobrara Gathering and Processing system
OCC	Ohio Condensate Company, L.L.C.
OGC	Ohio Gathering Company, L.L.C.
Ohio Gathering	Ohio Gathering Company, L.L.C. and Ohio Condensate Company, L.L.C.
OpCo	Summit Midstream OpCo, LP
play	a proven geological formation that contains commercial amounts of hydrocarbons
Polar and Divide	the Polar and Divide system; collectively Polar Midstream and Epping
Polar Midstream	Polar Midstream, LLC
produced water	water from underground geologic formations that is a by-product of natural gas and crude oil production
Red Rock Gathering	Red Rock Gathering Company, LLC
Remaining Consideration	management's estimate of the consideration to be paid to SMP Holdings in 2020 in connection with the 2016 Drop Down, the present value of which is reflected on our balance sheets as the Deferred Purchase Price Obligation
Revolving Credit Facility	the Third Amended and Restated Credit Agreement dated as of May 26, 2017
SEC	Securities and Exchange Commission
segment adjusted EBITDA	total revenues less total costs and expenses; plus (i) other income excluding interest income, (ii) our proportional adjusted EBITDA for equity method investees, (iii) depreciation and amortization, (iv) adjustments related to MVC shortfall payments, (v) unit-based and noncash compensation, (vi) the change in the Deferred Purchase Price Obligation fair value, (vii) early extinguishment of debt expense, (viii) impairments and (ix) other noncash expenses or losses, less other noncash income or gains
shortfall payment	the payment received from a counterparty when its volume throughput does not meet its MVC for the applicable period

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SMLP	Summit Midstream Partners, LP
SMLP LTIP	SMLP Long-Term Incentive Plan
SMP Holdings	Summit Midstream Partners Holdings, LLC
Sponsor	Energy Capital Partners II, LLC and its parallel and co-investment funds; also known as Energy Capital Partners
Summit Holdings	Summit Midstream Holdings, LLC
Summit Investments	Summit Midstream Partners, LLC
Summit Marketing	Summit Midstream Marketing, LLC
Summit Permian	Summit Midstream Permian, LLC
Summit Utica	Summit Midstream Utica, LLC
the Company	Summit Midstream Partners, LLC and its subsidiaries
the Partnership	Summit Midstream Partners, LP and its subsidiaries
throughput volume	the volume of natural gas, crude oil or produced water transported or passing through a pipeline, plant or other facility during a particular period; also referred to as volume throughput
Tioga Midstream	Tioga Midstream, LLC
unconventional resource basin	a basin where natural gas or crude oil production is developed from unconventional sources that require hydraulic fracturing as part of the completion process, for instance, natural gas produced from shale formations and coalbeds; also referred to as an unconventional resource play
wellhead	the equipment at the surface of a well, used to control the well's pressure; also, the point at which the hydrocarbons and water exit the ground

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	December 31, 2016
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$2,588	$7,428
Accounts receivable	55,837	97,364
Other current assets	2,264	4,309
Total current assets	60,689	109,101
Property, plant and equipment, net	1,859,953	1,853,671
Intangible assets, net	402,020	421,452
Goodwill	16,211	16,211
Investment in equity method investees	701,020	707,415
Other noncurrent assets	14,457	7,329
Total assets	$3,054,350	$3,115,179
Liabilities and Partners' Capital		
Current liabilities:		
Trade accounts payable	$10,327	$16,251
Accrued expenses	8,278	11,389
Due to affiliate	470	258
Deferred revenue	4,745	—
Ad valorem taxes payable	7,295	10,588
Accrued interest	17,015	17,483
Accrued environmental remediation	6,183	4,301
Other current liabilities	6,305	11,471
Total current liabilities	60,618	71,741
Long-term debt	1,280,645	1,240,301
Deferred Purchase Price Obligation	579,106	563,281
Deferred revenue	13,049	57,465
Noncurrent accrued environmental remediation	2,346	5,152
Other noncurrent liabilities	7,687	7,566
Total liabilities	1,943,451	1,945,506
Commitments and contingencies (Note 15)		
Common limited partner capital (73,059 units issued and outstanding at June 30, 2017 and 72,111 units issued and outstanding at December 31, 2016)	1,071,244	1,129,132
General Partner interests (1,491 units issued and outstanding at June 30, 2017 and 1,471 units issued and outstanding at December 31, 2016)	28,217	29,294
Noncontrolling interest	11,438	11,247
Total partners' capital	1,110,899	1,169,673
Total liabilities and partners' capital	$3,054,350	$3,115,179

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

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per-unit amounts)			
Revenues:				
Gathering services and related fees	$84,801	$76,187	$202,814	$154,287
Natural gas, NGLs and condensate sales	10,595	8,581	21,715	16,169
Other revenues	6,396	4,867	13,068	9,750
Total revenues	101,792	89,635	237,597	180,206
Costs and expenses:				
Cost of natural gas and NGLs	9,099	6,864	18,151	13,154
Operation and maintenance	24,016	23,410	47,708	49,252
General and administrative	12,949	12,876	27,081	25,755
Depreciation and amortization	28,688	27,963	57,257	55,691
Transaction costs	119	122	119	1,296
Loss on asset sales, net	67	74	70	11
Long-lived asset impairment	3	569	287	569
Total costs and expenses	74,941	71,878	150,673	145,728
Other income	64	19	135	41
Interest expense	(17,553)	(16,035)	(34,269)	(31,917)
Early extinguishment of debt	—	—	(22,020)	—
Deferred Purchase Price Obligation	5,058	(17,465)	(15,825)	(24,928)
Income (loss) before income taxes and loss from equity method investees	14,420	(15,724)	14,945	(22,326)
Income tax benefit (expense)	211	(360)	(241)	(283)
Loss from equity method investees	(3,385)	(34,471)	(4,041)	(31,611)
Net income (loss)	$11,246	$(50,555)	$10,663	$(54,220)
Less:				
Net income attributable to Summit Investments	—	—	—	2,745
Net income (loss) attributable to noncontrolling interest	89	(268)	191	(224)
Net income (loss) attributable to SMLP	11,157	(50,287)	10,472	(56,741)
Less net income and IDRs attributable to General Partner	2,351	935	4,443	2,746
Net income (loss) attributable to limited partners	$8,806	$(51,222)	$6,029	$(59,487)
Earnings (loss) per limited partner unit:				
Common unit – basic	$0.12	$(0.77)	$0.08	$(0.89)
Common unit – diluted	$0.12	$(0.77)	$0.08	$(0.89)
Weighted-average limited partner units outstanding:				
Common unit – basic	72,532	66,587	72,341	66,540
Common unit – diluted	72,842	66,587	72,708	66,540

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

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Partners' capital Limited partners Common	Subordinated	General Partner	Noncontrolling interest	Summit Investments' equity in contributed subsidiaries	Total
	(In thousands)					
Partners' capital, January 1, 2016	$744,977	$ 213,631	$25,634	$ —	$ 763,057	$1,747,299
Net (loss) income	(60,527)	1,040	2,746	(224)	2,745	(54,220)
Distributions to unitholders	(62,475)	(14,034)	(5,511)	—	—	(82,020)
Unit-based compensation	3,665	—	—	—	—	3,665
Tax withholdings on vested SMLP LTIP awards	(796)	—	—	—	—	(796)
Subordinated units conversion	200,637	(200,637)	—	—	—	—
Purchase of 2016 Drop Down Assets	—	—	—	—	(866,858)	(866,858)
Establishment of noncontrolling interest	—	—	—	11,261	(11,261)	—
Distribution of debt related to Carve-Out Financial Statements of Summit Investments	—	—	—	—	342,926	342,926
Excess of acquired carrying value over consideration paid for 2016 Drop Down Assets	243,044	—	4,953	—	(247,997)	—
Cash advance from Summit Investments to contributed subsidiaries, net	—	—	—	—	12,214	12,214
Expenses paid by Summit Investments on behalf of contributed subsidiaries	—	—	—	—	4,821	4,821
Capitalized interest allocated from Summit Investments to contributed subsidiaries	—	—	—	—	223	223
Class B membership interest noncash compensation	155	—	—	—	130	285
Partners' capital, June 30, 2016	$1,068,680	$ —	$27,822	$ 11,037	$ —	$1,107,539

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(continued)

	Partners' capital			
	Common limited partners	General Partner	Noncontrolling interest	Total
	(In thousands)			
Partners' capital, January 1, 2017	$1,129,132	$29,294	$ 11,247	$1,169,673
Net income	6,029	4,443	191	10,663
Distributions to unitholders	(83,044)	(5,985)	—	(89,029)
Unit-based compensation	3,919	—	—	3,919
Tax withholdings on vested SMLP LTIP awards	(2,051)	—	—	(2,051)
ATM Program issuances, net of costs	17,259	—	—	17,259
Contribution from General Partner	—	465	—	465
Partners' capital, June 30, 2017	$1,071,244	$28,217	$ 11,438	$1,110,899

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

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$10,663	$(54,220)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	56,955	55,957
Amortization of debt issuance costs	2,072	1,947
Deferred Purchase Price Obligation	15,825	24,928
Unit-based and noncash compensation	3,999	3,950
Loss from equity method investees	4,041	31,611
Distributions from equity method investees	18,003	24,181
Loss on asset sales, net	70	11
Long-lived asset impairment	287	569
Early extinguishment of debt	22,020	—
Write-off of debt issuance costs	302	—
Changes in operating assets and liabilities:		
Accounts receivable	41,527	41,276
Trade accounts payable	(4,372)	1,447
Accrued expenses	(3,111)	1,008
Due from (to) affiliate	212	(966)
Deferred revenue	(39,671)	2,033
Ad valorem taxes payable	(3,293)	(2,613)
Accrued interest	(468)	—
Accrued environmental remediation, net	(924)	(1,752)
Other, net	(2,796)	2,133
Net cash provided by operating activities	121,341	131,500
Cash flows from investing activities:		
Capital expenditures	(45,912)	(91,372)
Contributions to equity method investees	(15,649)	(15,645)
Acquisitions of gathering systems from affiliate	—	(359,431)
Other, net	(521)	(435)
Net cash used in investing activities	(62,082)	(466,883)

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	Six months ended June 30,	
	2017	2016
	(In thousands)	
Cash flows from financing activities:		
Distributions to unitholders	(89,029)	(82,020)
Borrowings under Revolving Credit Facility	112,500	439,300
Repayments under Revolving Credit Facility	(269,500)	(50,300)
Debt issuance costs	(15,613)	(2,766)
Payment of redemption and call premiums on senior notes	(17,913)	—
Proceeds from ATM Program issuances, net of costs	17,259	—
Contribution from General Partner	465	—
Cash advance from Summit Investments to contributed subsidiaries, net	—	12,214
Expenses paid by Summit Investments on behalf of contributed subsidiaries	—	4,821
Issuance of senior notes	500,000	—
Tender and redemption of senior notes	(300,000)	—
Other, net	(2,268)	(916)
Net cash (used in) provided by financing activities	(64,099)	320,333
Net change in cash and cash equivalents	(4,840)	(15,050)
Cash and cash equivalents, beginning of period	7,428	21,793
Cash and cash equivalents, end of period	$2,588	$6,743
Supplemental cash flow disclosures:		
Cash interest paid	$33,382	$31,464
Less capitalized interest	918	1,779
Interest paid (net of capitalized interest)	$32,464	$29,685
Noncash investing and financing activities:		
Capital expenditures in trade accounts payable (period-end accruals)	$6,869	$14,322
Issuance of Deferred Purchase Price Obligation to affiliate to partially fund the 2016 Drop Down	—	507,427
Excess of acquired carrying value over consideration paid and recognized for 2016 Drop Down Assets	—	247,997
Distribution of debt related to Carve-Out Financial Statements of Summit Investments	—	342,926
Capitalized interest allocated to contributed subsidiaries from Summit Investments	—	223

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

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SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION, BUSINESS OPERATIONS AND PRESENTATION AND CONSOLIDATION

Organization. SMLP, a Delaware limited partnership, was formed in May 2012 and began operations in October 2012 in connection with its IPO of common limited partner units. SMLP is a growth-oriented limited partnership focused on developing, owning and operating midstream energy infrastructure assets that are strategically located in the core producing areas of unconventional resource basins, primarily shale formations, in the continental United States. Our business activities are conducted through various operating subsidiaries, each of which is owned or controlled by our wholly owned subsidiary holding company, Summit Holdings, a Delaware limited liability company. References to the "Partnership," "we," or "our" refer collectively to SMLP and its subsidiaries.

The General Partner, a Delaware limited liability company, manages our operations and activities. Summit Investments, a Delaware limited liability company, is the ultimate owner of our General Partner and has the right to appoint the entire Board of Directors. Summit Investments is controlled by Energy Capital Partners. As of June 30, 2017, a subsidiary of Energy Capital Partners directly owned 5,915,827 SMLP common units.

In addition to its approximate 2% general partner interest in SMLP (including the IDRs in respect of SMLP), Summit Investments has indirect ownership interests in our common units. As of June 30, 2017, Summit Investments beneficially owned 25,854,581 SMLP common units.

Neither SMLP nor its subsidiaries have any employees. All of the personnel that conduct our business are employed by Summit Investments, but these individuals are sometimes referred to as our employees.

Business Operations. We provide natural gas gathering, treating and processing services as well as crude oil and produced water gathering services pursuant to primarily long-term and fee-based agreements with our customers. Our results are driven primarily by the volumes of natural gas that we gather, treat, compress and process as well as by the volumes of crude oil and produced water that we gather. We are the owner-operator of or have significant ownership interests in the following gathering systems:

- Ohio Gathering, a natural gas gathering system and a condensate stabilization facility operating in the Appalachian Basin, which includes the Utica and Point Pleasant shale formations in southeastern Ohio;
- Summit Utica, a natural gas gathering system operating in the Appalachian Basin, which includes the Utica and Point Pleasant shale formations in southeastern Ohio;
- Bison Midstream, an associated natural gas gathering system operating in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Polar and Divide, crude oil and produced water gathering systems and transmission pipelines located in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Tioga Midstream, crude oil, produced water and associated natural gas gathering systems operating in the Williston Basin, which includes the Bakken and Three Forks shale formations in northwestern North Dakota;
- Grand River, a natural gas gathering and processing system located in the Piceance Basin, which includes the Mesaverde formation and the Mancos and Niobrara shale formations in western Colorado and eastern Utah;
- Niobrara G&P, an associated natural gas gathering and processing system operating in the DJ Basin, which includes the Niobrara and Codell shale formations in northeastern Colorado;
- DFW Midstream, a natural gas gathering system operating in the Fort Worth Basin, which includes the Barnett Shale formation in north-central Texas;
- Mountaineer Midstream, a natural gas gathering system operating in the Appalachian Basin, which includes the Marcellus Shale formation in northern West Virginia; and
- Summit Permian, an associated natural gas gathering and processing system under development in the northern Delaware Basin in southeastern New Mexico.

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In February 2016, the Partnership and SMP Holdings, a wholly owned subsidiary of Summit Investments, entered into a contribution agreement (the "Contribution Agreement") pursuant to which SMP Holdings agreed to contribute to the Partnership substantially all of its limited partner interest in OpCo, a Delaware limited partnership that owns (i) 100% of the issued and outstanding membership interests of Summit Utica, Meadowlark Midstream and Tioga Midstream and collectively with Summit Utica and Meadowlark Midstream, (the "Contributed Entities"), each a limited liability company and (ii) a 40% ownership interest in each of OGC and OCC (collectively with OpCo and the Contributed Entities, the “2016 Drop Down Assets”)(the “2016 Drop Down”). The 2016 Drop Down closed in March 2016; concurrent therewith, a subsidiary of Summit Investments retained a 1% noncontrolling interest in OpCo.

Summit Marketing (formerly known as Summit Midstream OpCo GP, LLC), a Delaware limited liability company and a wholly owned subsidiary of Summit Holdings, manages OpCo, a Delaware limited liability partnership, and provides natural gas and crude oil marketing services in and around our gathering systems.

Presentation and Consolidation. We prepare our unaudited condensed consolidated financial statements in accordance with GAAP as established by the FASB. We make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates, including fair value measurements, the reported amounts of revenue and expense and the disclosure of contingencies. Although management believes these estimates are reasonable, actual results could differ from its estimates.

The unaudited condensed consolidated financial statements include the assets, liabilities and results of operations of SMLP and its subsidiaries. All intercompany transactions among the consolidated entities have been eliminated in consolidation. Comprehensive income or loss is the same as net income or loss for all periods presented. The financial position, results of operations and cash flows of acquired drop down assets, liabilities, expenses or entities that were carved out of entities held by Summit Investments and included herein have been derived from the accounting records of the respective Summit Investments' subsidiary on a carve-out basis.

SMLP recognized its drop down acquisitions at Summit Investments' historical cost because the acquisitions were executed by entities under common control. The excess of Summit Investments' net investment over the consideration paid and recognized for a contributed subsidiary is recognized as an addition to partners' capital, while the excess of purchase price paid and recognized over net investment is recognized as a reduction to partners' capital. Due to the common control aspect, we account for drop down transactions on an “as-if pooled” basis for the periods during which common control existed.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and the regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations. We believe that the disclosures made are adequate to make the information not misleading. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, including normal recurring adjustments, which are necessary to fairly present the unaudited condensed consolidated balance sheet as of June 30, 2017, the unaudited condensed consolidated statements of operations for the three- and six- month periods ended June 30, 2017 and 2016 and the unaudited condensed consolidated statements of partners' capital and cash flows for the six-month periods ended June 30, 2017 and 2016. The balance sheet at December 31, 2016 included herein was derived from our audited financial statements, but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our annual report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on February 27, 2017 (the "2016 Annual Report"). The results of operations for an interim period are not necessarily indicative of results expected for a full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies since December 31, 2016.

Recent Accounting Pronouncements. Accounting standard setters frequently issue new or revised accounting rules. We review new pronouncements to determine the impact, if any, on our financial statements. Accounting standards that have or could possibly have a material effect on our financial statements are discussed below.

Recently Adopted Accounting Pronouncements. We have recently adopted the following accounting pronouncements:

- ASU No. 2016-09 Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies several aspects for share-based payment award transactions, including income tax consequences, the liability or equity classification of awards and classification on the statements of cash flows. ASU 2016-09 is effective for public companies

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for fiscal years beginning after December 15, 2016. It does not specify a single transition approach, rather it specifies retrospective, modified retrospective and/or prospective transition approaches based on the aspect being applied. We adopted the provisions of ASU 2016-09 effective January 1, 2017. The adoption of this standard had no impact on our consolidated financial statements.

Accounting Pronouncements Pending Adoption. We are currently in the process of evaluating the applicability and/or impact of the following accounting pronouncements:

- ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Under ASU 2014-09, revenue will be recognized under a five-step model: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognize revenue when (or as) the performance obligation is satisfied. ASU 2014-09 is effective for fiscal years and interim periods within those years, beginning after December 15, 2017 and allows for early adoption. We expect to adopt the provisions of ASU 2014-09 effective January 1, 2018 using the modified retrospective method.

We have substantially completed our review of our existing contracts under the new guidance. However, we are still assessing the financial statement impact of adoption for certain items discussed below. For contracts where we perform gathering services and earn a per-unit fee which is recognized at a point in time, revenue will be recognized over time as the service is performed, which is expected to accelerate the recognition of revenue by an immaterial amount. In addition, our contracts generally contain forms of what will be considered variable consideration, which will likely be constrained as the volumes are susceptible to factors outside of our control and influence. However, we will be billing amounts that correspond directly to the value transferred such that the resulting revenue recognized will be similar to current GAAP. We are continuing to evaluate our MVCs and contributions in aid of construction and cannot currently fully conclude on the impact of adoption. We are working with an industry group to develop our position on certain implementation matters. We anticipate that we will be able to complete our assessment of the impact of adoption by the end of the third quarter of 2017.

- ASU No. 2016-02 Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires that lessees recognize all leases on the balance sheet, with the exception of short-term leases. A lease liability will be recorded for the obligation of a lessee to make lease payments arising from a lease. A right-of-use asset will be recorded which represents the lessee’s right to use, or to control the use of, a specified asset for a lease term. We are currently evaluating the impact of this guidance on lessor accounting but have made no determinations at this time. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, and requires the modified retrospective approach for transition. We are currently evaluating the provisions of ASU 2016-02 to determine its impact on our financial statements and related disclosures and expect to adopt its provisions effective January 1, 2019.
- ASU No. 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"). ASU 2016-08 does not change the core principle of Topic 606, rather it clarifies the implementation guidance on principal versus agent considerations. We expect to adopt the provisions of ASU 2016-08 effective January 1, 2018. Our position regarding the impact of and transition method for this update is the same as for ASU 2014-09.
- ASU No. 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10"). ASU 2016-10 clarifies the following two aspects of Topic 606: (i) identifying performance obligations; and (ii) the licensing implementation guidance, while retaining the related principles for those areas. We expect to adopt the provisions of ASU 2016-10 effective January 1, 2018. Our position regarding the impact of and transition method for this update is the same as for ASU 2014-09.
- ASU No. 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12"). ASU 2016-12 does not change the core principle of the guidance in Topic 606. Rather, the amendments therein affect only the narrow aspects of Topic 606 including assessing the collectability criterion and issues related to contract modification at transition and completed contracts at transition. We expect to adopt the provisions of ASU 2016-12 effective January 1, 2018. Our position regarding the impact of and transition method for this update is the same as for ASU 2014-09.

3. SEGMENT INFORMATION

We evaluate our business operations each reporting period to determine whether any of our gathering system operating segments in which we internally report financial information are considered significant and would require us to separately disclose certain segment financial information in our external reporting. As a result of our evaluation for the three-months ended June 30, 2017, we determined that both the Summit Utica natural gas gathering system and the Ohio Gathering natural gas gathering system, each previously reported within the Utica Shale reportable segment, were and are expected to continue to be significant operating segments. As such, we are modifying our current segments such that the Utica Shale reportable segment includes the Summit Utica gathering system and the Ohio Gathering reportable segment includes our ownership interest in OGC and OCC. For the three- and six-months ended June 30, 2017, we have disclosed the required segment information for Summit Utica and Ohio Gathering and the periods prior to January 1, 2017 have been recast to reflect this change.

As of June 30, 2017, our reportable segments are:
- the Utica Shale, which is served by Summit Utica;
- Ohio Gathering, which includes our ownership interest in OGC and OCC;
- the Williston Basin, which is served by Bison Midstream, Polar and Divide and Tioga Midstream;
- the Piceance/DJ Basins, which is served by Grand River and Niobrara G&P;
- the Barnett Shale, which is served by DFW Midstream; and
- the Marcellus Shale, which is served by Mountaineer Midstream.

Each of our reportable segments provides midstream services in a specific geographic area. Our reportable segments reflect the way in which we internally report the financial information used to make decisions and allocate resources in connection with our operations.

As noted above, the Ohio Gathering reportable segment includes our investment in Ohio Gathering (see Note 7). Income or loss from equity method investees, as reflected on the statements of operations, solely relates to Ohio Gathering and is recognized and disclosed on a one-month lag (see Note 7). No other line items in the statements of operations or cash flows, as disclosed in the tables below, include results for our investment in Ohio Gathering.

Corporate and other represents those results that are: (i) not specifically attributable to a reportable segment; (ii) not individually reportable; or (iii) that have not been allocated to our reportable segments, including certain general and administrative expense items, natural gas and crude oil marketing services and transaction costs for the purpose of evaluating their performance.

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Assets by reportable segment follow.

	June 30, 2017	December 31, 2016
	(In thousands)	
Assets:		
Utica Shale	$213,030	$199,392
Ohio Gathering	701,020	707,415
Williston Basin	699,361	724,084
Piceance/DJ Basins	799,058	843,440
Barnett Shale	395,266	404,314
Marcellus Shale	220,899	224,709
Total reportable segment assets	3,028,634	3,103,354
Corporate and other	25,940	12,294
Eliminations	(224)	(469)
Total assets	$3,054,350	$3,115,179

Revenues by reportable segment follow.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Revenues (1):				
Utica Shale	$10,456	$5,403	$19,252	$9,686
Williston Basin	29,114	27,507	95,999	57,517
Piceance/DJ Basins	33,763	29,411	68,571	58,402
Barnett Shale	20,904	20,856	38,646	41,257
Marcellus Shale	7,365	6,458	14,269	13,344
Total reportable segments revenue	101,602	89,635	236,737	180,206
Corporate and other	1,362	—	3,148	—
Eliminations	(1,172)	—	(2,288)	—
Total revenues	$101,792	$89,635	$237,597	$180,206

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(1) Excludes revenues earned by Ohio Gathering due to equity method accounting.

Counterparties accounting for more than 10% of total revenues were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Percentage of total revenues (1)(2):				
Counterparty A - Piceance Basin	10%	*	*	*
Counterparty B - Barnett Shale	11%	*	*	*
Counterparty C - Utica Shale	10%	*	*	*
Counterparty D - Williston Basin	*	*	21%	*

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(1) Includes recognition of revenue that was previously deferred in connection with minimum volume commitments (see Note 8).

(2) Excludes revenues earned by Ohio Gathering due to equity method accounting.

* Less than 10%

Depreciation and amortization, including the amortization expense associated with our favorable and unfavorable gas gathering contracts as reported in other revenues, by reportable segment follows.

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Depreciation and amortization (1):				
Utica Shale	$1,748	$952	$3,395	$1,796
Williston Basin	8,385	8,410	16,766	16,767
Piceance/DJ Basins	12,225	12,297	24,436	24,570
Barnett Shale (2)	3,762	4,057	7,524	8,113
Marcellus Shale	2,263	2,222	4,526	4,441
Total reportable segment depreciation and amortization	28,383	27,938	56,647	55,687
Corporate and other	154	154	308	270
Total depreciation and amortization	$28,537	$28,092	$56,955	$55,957

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(1) Excludes depreciation and amortization recognized by Ohio Gathering due to equity method accounting.
(2) Includes the amortization expense associated with our favorable and unfavorable gas gathering contracts as reported in other revenues.

Cash paid for capital expenditures by reportable segment follow.

	Six months ended June 30,	
	2017	2016
	(In thousands)	
Cash paid for capital expenditures (1):		
Utica Shale	$16,473	$54,064
Williston Basin	11,085	21,919
Piceance/DJ Basins	11,934	10,633
Barnett Shale	(399)	2,109
Marcellus Shale	407	2,135
Total reportable segment capital expenditures	39,500	90,860
Corporate and other	6,412	512
Total cash paid for capital expenditures	$45,912	$91,372

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(1) Excludes cash paid for capital expenditures by Ohio Gathering due to equity method accounting.

During the six months ended June 30, 2017, Corporate and other primarily includes cash paid for capital expenditures of approximately $5.0 million for Summit Permian.

We assess the performance of our reportable segments based on segment adjusted EBITDA. We define segment adjusted EBITDA as total revenues less total costs and expenses; plus (i) other income excluding interest income, (ii) our proportional adjusted EBITDA for equity method investees, (iii) depreciation and amortization, (iv) adjustments related to MVC shortfall payments, (v) unit-based and noncash compensation, (vi) change in the Deferred Purchase Price Obligation fair value, (vii) early extinguishment of debt expense, (viii) impairments and (ix) other noncash expenses or losses, less other noncash income or gains. We define proportional adjusted EBITDA for our equity method investees as the product of (i) total revenues less total expenses, excluding impairments and other noncash income or expense items and (ii) amortization for deferred contract costs; multiplied by our ownership interest in Ohio Gathering during the respective period.

For the purpose of evaluating segment performance, we exclude the effect of Corporate and other revenues and expenses, such as certain general and administrative expenses (including compensation-related expenses and professional services fees), natural gas and crude oil marketing services, transaction costs, interest expense, change in the Deferred Purchase Price Obligation fair value, early extinguishment of debt expense and income tax expense or benefit from segment adjusted EBITDA.

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Segment adjusted EBITDA by reportable segment follows.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Reportable segment adjusted EBITDA:				
Utica Shale	$9,533	$4,727	$17,445	$7,916
Ohio Gathering	9,606	12,725	18,679	25,113
Williston Basin	17,155	19,209	34,964	38,929
Piceance/DJ Basins	27,274	26,231	56,248	51,046
Barnett Shale	12,998	13,913	25,086	27,990
Marcellus Shale	5,446	4,807	11,093	9,408
Total of reportable segments’ measures of profit or loss	$82,012	$81,612	$163,515	$160,402

A reconciliation of income or loss before income taxes and loss from equity method investees to total of reportable segments' measures of profit or loss follows.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Reconciliation of income (loss) before income taxes and loss from equity method investees to total of reportable segments' measures of profit or loss:				
Income (loss) before income taxes and loss from equity method investees	$14,420	$(15,724)	$14,945	$(22,326)
Add:				
Corporate and other	9,435	9,247	19,528	18,006
Interest expense	17,553	16,035	34,269	31,917
Early extinguishment of debt	—	—	22,020	—
Deferred Purchase Price Obligation	(5,058)	17,465	15,825	24,928
Depreciation and amortization	28,537	28,092	56,955	55,957
Proportional adjusted EBITDA for equity method investees	9,606	12,725	18,679	25,113
Adjustments related to MVC shortfall payments	5,578	11,135	(23,062)	22,277
Unit-based and noncash compensation	1,871	1,994	3,999	3,950
Loss on asset sales, net	67	74	70	11
Long-lived asset impairment	3	569	287	569
Total of reportable segments' measures of profit or loss	$82,012	$81,612	$163,515	$160,402

We include adjustments related to MVC shortfall payments in our calculation of segment adjusted EBITDA to account for (i) the net increases or decreases in deferred revenue for MVC shortfall payments and (ii) our inclusion of expected annual MVC shortfall payments. With respect to the impact of a net change in deferred revenue for MVC shortfall payments, we treat increases in deferred revenue balances as a favorable adjustment to segment adjusted EBITDA, while decreases in deferred revenue balances are treated as an unfavorable adjustment to segment adjusted EBITDA. We also include a proportional amount of any historical and expected MVC shortfall payments in each quarter prior to the quarter in which we actually recognize the shortfall payment. The expected MVC shortfall payment adjustments have not been billed to our customers and are not recognized in our unaudited condensed consolidated financial statements.

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Adjustments related to MVC shortfall payments by reportable segment follow.

	Three months ended June 30, 2017			
	Williston Basin	Piceance/DJ Basins	Barnett Shale	Total
	(In thousands)			
Adjustments related to MVC shortfall payments:				
Net change in deferred revenue for MVC shortfall payments	$—	$ (1,186)	$—	$(1,186)
Expected MVC shortfall payments	1,982	6,522	(1,740)	6,764
Total adjustments related to MVC shortfall payments	$1,982	$ 5,336	$(1,740)	$5,578

	Three months ended June 30, 2016			
	Williston Basin	Piceance/DJ Basins	Barnett Shale	Total
	(In thousands)			
Adjustments related to MVC shortfall payments:				
Net change in deferred revenue for MVC shortfall payments	$—	$ 1,237	$(677)	$560
Expected MVC shortfall payments	4,261	6,219	95	10,575
Total adjustments related to MVC shortfall payments	$4,261	$ 7,456	$(582)	$11,135

	Six months ended June 30, 2017			
	Williston Basin	Piceance/DJ Basins	Barnett Shale	Total
	(In thousands)			
Adjustments related to MVC shortfall payments:				
Net change in deferred revenue for MVC shortfall payments	$(37,693)	$ (1,978)	$—	$(39,671)
Expected MVC shortfall payments	3,964	13,067	(422)	16,609
Total adjustments related to MVC shortfall payments	$(33,729)	$ 11,089	$(422)	$(23,062)

	Six months ended June 30, 2016			
	Williston Basin	Piceance/DJ Basins	Barnett Shale	Total
	(In thousands)			
Adjustments related to MVC shortfall payments:				
Net change in deferred revenue for MVC shortfall payments	$235	$ 2,475	$(677)	$2,033
Expected MVC shortfall payments	7,562	12,498	184	20,244
Total adjustments related to MVC shortfall payments	$7,797	$ 14,973	$(493)	$22,277

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4. PROPERTY, PLANT AND EQUIPMENT, NET

Details on property, plant and equipment follow.

	June 30, 2017	December 31, 2016
	(In thousands)	
Gathering and processing systems and related equipment	$2,067,428	$2,026,363
Construction in progress	40,332	39,954
Land and line fill	11,735	11,442
Other	35,083	35,227
Total	2,154,578	2,112,986
Less accumulated depreciation	294,625	259,315
Property, plant and equipment, net	$1,859,953	$1,853,671

Depreciation expense and capitalized interest follow.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Depreciation expense	$18,607	$17,595	$37,098	$34,966
Capitalized interest	450	1,063	918	1,779

5. AMORTIZING INTANGIBLE ASSETS AND UNFAVORABLE GAS GATHERING CONTRACT

Details regarding our intangible assets and the unfavorable gas gathering contract (included in other noncurrent liabilities), all of which are subject to amortization, follow.

	June 30, 2017			
	Useful lives (In years)	Gross carrying amount	Accumulated amortization	Net
		(Dollars in thousands)		
Favorable gas gathering contracts	18.7	$24,195	$(11,572)	$12,623
Contract intangibles	12.5	426,464	(163,570)	262,894
Rights-of-way	26.1	154,519	(28,016)	126,503
Total intangible assets		$605,178	$(203,158)	$402,020
Unfavorable gas gathering contract	10.0	$10,962	$(7,995)	$2,967

	December 31, 2016			
	Useful lives (In years)	Gross carrying amount	Accumulated amortization	Net
		(Dollars in thousands)		
Favorable gas gathering contracts	18.7	$24,195	$(10,795)	$13,400
Contract intangibles	12.5	426,464	(146,468)	279,996
Rights-of-way	26.1	153,015	(24,959)	128,056
Total intangible assets		$603,674	$(182,222)	$421,452
Unfavorable gas gathering contract	10.0	$10,962	$(6,916)	$4,046

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We recognized amortization expense in other revenues as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Amortization expense – favorable gas gathering contracts	$(388)	$(317)	$(777)	$(655)
Amortization expense – unfavorable gas gathering contract	539	188	1,079	389

We recognized amortization expense in costs and expenses as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Amortization expense – contract intangibles	$8,551	$8,854	$17,102	$17,708
Amortization expense – rights-of-way	1,530	1,514	3,057	3,017

The estimated aggregate annual amortization expected to be recognized for the remainder of 2017 and each of the four succeeding fiscal years follows.

	Intangible assets	Unfavorable gas gathering contract
	(In thousands)	
2017	$21,196	$ 1,079
2018	41,373	1,888
2019	41,204	—
2020	43,453	—
2021	41,679	—

6. GOODWILL

We evaluate goodwill for impairment annually on September 30 and whenever events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There have been no impairments of goodwill during the three- and six-months ended June 30, 2017.

Fair Value Measurement. Our impairment determinations, in the context of (i) our annual impairment evaluations and (ii) our other-than-annual impairment evaluations involved significant assumptions and judgments, as discussed in the 2016 Annual Report. Differing assumptions regarding any of these inputs could have a significant effect on the various valuations. As such, the fair value measurements utilized within these models are classified as non-recurring Level 3 measurements in the fair value hierarchy because they are not observable from objective sources. Due to the volatility of the inputs used, we cannot predict the likelihood of any future impairment.

7. EQUITY METHOD INVESTMENTS

Ohio Gathering owns, operates and is currently developing midstream infrastructure consisting of a liquids-rich natural gas gathering system, a dry natural gas gathering system and a condensate stabilization facility in the Utica Shale in southeastern Ohio. Ohio Gathering provides gathering services pursuant to primarily long-term, fee-based gathering agreements, which include acreage dedications.

In June 2017 and June 2016, an impairment loss was recognized by Ohio Gathering. Although we recognize activity for Ohio Gathering on a one-month lag, we recorded the impairment loss in our results of operations for the second quarter of 2017 and 2016 because the information was available to us. We recorded our 40% share of the impairment loss, or $3.5 million in June 2017 and $37.8 million in June 2016, in loss from equity method investees in the unaudited condensed consolidated statements of operations.

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A reconciliation of our 40% ownership interest in Ohio Gathering to our investment per Ohio Gathering's books and records follows (in thousands).

Investment in equity method investees, June 30, 2017	$701,020
June cash distribution	3,128
June cash contribution	(3,484)
Impairment loss	3,474
Basis difference	(136,860)
Investment in equity method investees, net of basis difference, May 31, 2017	$567,278

Summarized statements of operations information for OGC and OCC follows (amounts represent 100% of investee financial information). Results include asset impairments of $8.7 million for the three- and six-month periods ending June 30, 2017 and $94.4 million for the three- and six-month periods ending June 30, 2016.

	Three months ended May 31, 2017		Three months ended May 31, 2016	
	OGC	OCC	OGC	OCC
	(In thousands)			
Total revenues	$31,083	$2,004	$38,444	$5,417
Total operating expenses	33,221	1,836	22,572	98,748
Net (loss) income	(139)	23	15,868	(93,701)

	Six months ended May 31, 2017		Six months ended May 31, 2016	
	OGC	OCC	OGC	OCC
	(In thousands)			
Total revenues	$68,158	$4,057	$76,243	$10,615
Total operating expenses	60,326	4,309	45,105	103,307
Net income (loss)	7,834	(1,192)	31,137	(93,245)

8. DEFERRED REVENUE

A rollforward of current deferred revenue follows.

	Williston Basin	Piceance/DJ Basins	Total current
	(In thousands)		
Current deferred revenue, January 1, 2017	$—	$ —	$—
Additions	—	12,602	12,602
Less revenue recognized	—	7,857	7,857
Current deferred revenue, June 30, 2017	$—	$ 4,745	$4,745

A rollforward of noncurrent deferred revenue follows.

	Williston Basin	Piceance/DJ Basins	Total noncurrent
	(In thousands)		
Noncurrent deferred revenue, January 1, 2017	$37,693	$ 19,772	$ 57,465
Less revenue recognized	37,693	1,978	39,671
Less reclassification to current deferred revenue	—	4,745	4,745
Noncurrent deferred revenue, June 30, 2017	$—	$ 13,049	$ 13,049

As of June 30, 2017, accounts receivable included $7.6 million of total shortfall payment billings, of which none related to MVC arrangements that can be utilized to offset gathering fees in subsequent periods.

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During the first quarter of 2017, we amended an agreement with one of our key customers in the Williston Basin segment. As a result, we recognized previously deferred revenue of $37.7 million as gathering services and related fees during the first quarter of 2017.

9. DEBT

Debt consisted of the following:

	June 30, 2017	December 31, 2016
	(In thousands)	
Summit Holdings variable rate senior secured Revolving Credit Facility (3.73% at June 30, 2017 and 3.27% at December 31, 2016) due May 2022	$491,000	$648,000
Summit Holdings 5.5% senior unsecured notes due August 2022	300,000	300,000
Less unamortized debt issuance costs (1)	(3,180)	(3,516)
Summit Holdings 5.75% senior unsecured notes due April 2025	500,000	—
Less unamortized debt issuance costs (1)	(7,175)	—
Summit Holdings 7.5% senior unsecured notes redeemed March 2017 (2)	—	300,000
Less unamortized debt issuance costs (1) (2)	—	(4,183)
Total long-term debt	$1,280,645	$1,240,301

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(1) Issuance costs are being amortized over the life of the notes.

(2) Debt was extinguished following the 5.75% Senior Notes offering in February 2017. In conjunction with the early debt extinguishment, the remaining unamortized debt issuance costs were written off.

The aggregate amount of debt maturing to be recognized for the remainder of 2017 and each of the four succeeding fiscal years follow (in thousands):

2017	$—
2018	—
2019	—
2020	—
2021	—
Thereafter	1,291,000
Total long-term debt	$1,291,000

Revolving Credit Facility. Summit Holdings has a senior secured revolving credit facility that allows for revolving loans, letters of credit and swingline loans. On May 26, 2017, Summit Holdings amended and restated its revolving credit facility with a third amended and restated credit agreement which: (i) maintained the revolving credit facility commitments of $1.25 billion, (ii) extended the maturity from November 2018 to May 2022, (iii) includes a $250.0 million accordion feature, (iv) maintained the same leverage-based pricing and commitment fee grid, (v) increased the maximum permitted total leverage ratio, as defined in the credit agreement, from 5.00 to 1.00 to 5.50 to 1.00 and (vi) includes a maximum permitted senior secured leverage ratio, as defined in the credit agreement, of 3.75 to 1.00.

Borrowings under the revolving credit facility bear interest, at the election of Summit Holdings, at a rate based on the alternate base rate (as defined in the credit agreement) plus an applicable margin ranging from 0.75% to 1.75% or the adjusted Eurodollar rate (as defined in the credit agreement) plus an applicable margin ranging from 1.75% to 2.75%, with the commitment fee ranging from 0.30% to 0.50% in each case based on our relative leverage at the time of determination. At June 30, 2017, the applicable margin under LIBOR borrowings was 2.50%, the interest rate was 3.73% and the unused portion of the Revolving Credit Facility totaled $759.0 million (subject to a commitment fee of 0.50%).

The revolving credit facility is secured by the membership interests of Summit Holdings and the membership interests of all the subsidiaries of Summit Holdings and by substantially all of the assets of Summit Holdings and its subsidiaries (subject to exclusions set forth in the credit agreement). It is guaranteed by SMLP and all of the subsidiaries of Summit Holdings other than the Specified Subsidiaries (as defined in the credit agreement). The credit agreement contains affirmative and negative covenants customary for credit facilities of its size and nature that, among other things, limit or restrict the ability (i) to incur additional debt; (ii) to make investments; (iii) to engage in certain mergers, consolidations, acquisitions or sales of assets; (iv) to enter into swap agreements and power purchase agreements; (v) to enter into leases that would cumulatively obligate payments in excess of $50.0 million over any 12-month period; and (vi) of Summit Holdings to make distributions, with certain exceptions, including the distribution of Available Cash (as defined in the SMLP partnership agreement) if no default or event of default then exists or would result therefrom and Summit Holdings is in pro forma compliance with its financial covenants. The credit agreement also contains an affirmative covenant that could require our Non-Guarantor Subsidiaries (OpCo, Summit Utica, Meadowlark Midstream and Tioga Midstream) to become guarantor subsidiaries in certain circumstances. In addition, the revolving credit facility requires Summit Holdings to maintain (i) a ratio of consolidated trailing 12-month earnings before interest, income taxes, depreciation and amortization ("EBITDA") to net interest expense of not less than 2.5 to 1.0 as defined in the credit agreement, (ii) a ratio of total net indebtedness to consolidated trailing 12-month EBITDA of not more than 5.50 to 1.00 and, (iii) a ratio of first lien net indebtedness to consolidated trailing 12-month EBITDA of not more than 3.75 to 1.00.

As a result of the amendment, SMLP incurred approximately $8.1 million of debt issuance costs. As of June 30, 2017, we had $11.7 million of debt issuance costs attributable to our Revolving Credit Facility and related amendments which are included in noncurrent assets on the unaudited condensed consolidated balance sheet.

As of June 30, 2017, we were in compliance with the Revolving Credit Facility's covenants. There were no defaults or events of default during the six months ended June 30, 2017.

Senior Notes. In June 2013, Summit Holdings and its 100% owned finance subsidiary, Finance Corp. (together with Summit Holdings, the "Co-Issuers") co-issued $300.0 million of 7.5% senior unsecured notes (the "7.5% Senior Notes"). In July 2014, the Co-Issuers co-issued $300.0 million of 5.5% senior unsecured notes maturing August 15, 2022 (the "5.5% Senior Notes" and, together with the 5.75% Senior Notes (defined below, the “Senior Notes”).

On February 8, 2017, the Co-Issuers completed a public offering of $500.0 million of 5.75% senior unsecured notes (the "5.75% Senior Notes") as described below. Concurrent with the 5.75% Senior Notes offering, we made a tender offer to purchase all the outstanding 7.5% Senior Notes. The tender offer expired on February 14, 2017 and resulted in approximately $276.9 million of our 7.5% Senior Notes being validly tendered and retired. On February 16, 2017, we issued a notice of redemption for the remaining 7.5% Senior Notes. The remaining $23.1 million of 7.5% Senior Notes were redeemed on March 18, 2017 (the "redemption date"), with payment made on March 20, 2017. References to the “Senior Notes,” when used for dates or periods ended on or after the date of issuance of the 5.75% Senior Notes but before the redemption date, refer collectively to 5.5% Senior Notes, 7.5% Senior Notes and 5.75% Senior Notes. References to the "Senior Notes," when used for dates or periods ended on or prior to the date of issuance of the 5.75% Senior Notes, refer collectively to 5.5% Senior Notes and 7.5% Senior Notes. References to the "Senior Notes," when used for dates or periods that ended after the redemption date, refer collectively to the 5.5% Senior Notes and the 5.75% Senior Notes. In conjunction with the tender offer and mandatory redemption of the 7.5% Senior Notes, we paid redemption and call premiums totaling $17.9 million. These costs, as well as $4.1 million of unamortized debt issuance costs, are presented on our unaudited condensed consolidated statement of operations as early extinguishment of debt.

On June 15, 2017, we executed a supplemental indenture and an amendment to our Revolving Credit Facility to add a newly formed entity, Summit Permian, as a guarantor. As a result, Bison Midstream and its subsidiaries, Grand River and its subsidiary, DFW Midstream, Summit Marketing and Summit Permian (collectively the "Guarantor Subsidiaries") and SMLP fully and unconditionally and jointly and severally guarantee the 5.5% Senior Notes and the 5.75% Senior Notes. The Senior Notes are not guaranteed by OpCo, Summit Utica, Meadowlark Midstream and Tioga Midstream (collectively, the "Non-Guarantor Subsidiaries"). There are no significant restrictions on the ability of SMLP or Summit Holdings to obtain funds from its subsidiaries by dividend or loan. Finance Corp. has had no assets or operations since inception in 2013. At no time have the Senior Notes been guaranteed by the Co-Issuers.

5.75% Senior Notes. In February 2017, the Co-Issuers completed a public offering of $500.0 million of 5.75% senior unsecured notes maturing April 15, 2025. Interest on the 5.75% Senior Notes will be paid semi-annually in cash in arrears on April 15 and October 15 of each year, beginning on October 15, 2017. The 5.75% Senior Notes are senior, unsecured obligations and rank equally in right of payment with all of our existing and future senior obligations. The 5.75% Senior Notes are effectively subordinated in right of payment to all of our secured indebtedness, to the extent of the collateral securing such indebtedness. We used the proceeds from the issuance of the 5.75% Senior Notes to (i) fund the repurchase of the outstanding $300.0 million principal 7.5% Senior Notes, (ii) pay redemption and call premiums on the 7.5% Senior Notes totaling $17.9 million and (iii) pay $172.0 million of the balance outstanding under our Revolving Credit Facility.

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At any time prior to April 15, 2020, the Co-Issuers may redeem up to 35% of the aggregate principal amount of the 5.75% Senior Notes at a redemption price of 105.750% of the principal amount of the 5.75% Senior Notes, plus accrued and unpaid interest, if any, but not including, the redemption date, with an amount not greater than the net cash proceeds of certain equity offerings. On and after April 15, 2020, the Co-Issuers may redeem all or part of the 5.75% Senior Notes at a redemption price of 104.313% (with the redemption premium declining ratably each year to 100.000% on and after April 15, 2023), plus accrued and unpaid interest, if any, to, but not including, the redemption date. Debt issuance costs of $7.5 million are being amortized over the life of the senior notes.

The 5.75% Senior Notes' indenture restricts SMLP’s and the Co-Issuers’ ability and the ability of certain of their subsidiaries to: (i) incur additional debt or issue preferred stock; (ii) make distributions, repurchase equity or redeem subordinated debt; (iii) make payments on subordinated indebtedness; (iv) create liens or other encumbrances; (v) make investments, loans or other guarantees; (vi) sell or otherwise dispose of a portion of their assets; (vii) engage in transactions with affiliates; and (viii) make acquisitions or merge or consolidate with another entity. These covenants are subject to a number of important exceptions and qualifications. At any time when the senior notes are rated investment grade by each of Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services and no default or event of default under the indenture has occurred and is continuing, many of these covenants will terminate.

The 5.75% Senior Notes' indenture provides that each of the following is an event of default: (i) default for 30 days in the payment when due of interest on the 5.75% Senior Notes; (ii) default in the payment when due of the principal of, or premium, if any, on the 5.75% Senior Notes; (iii) failure by the Co-Issuers or SMLP to comply with certain covenants relating to mergers and consolidations, change of control or asset sales; (iv) failure by SMLP for 180 days after notice to comply with certain covenants relating to the filing of reports with the SEC; (v) failure by the Co-Issuers or SMLP for 30 days after notice to comply with any of the other agreements in the indenture; (vi) specified defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by SMLP or any of its restricted subsidiaries (or the payment of which is guaranteed by SMLP or any of its restricted subsidiaries); (vii) failure by SMLP or any of its restricted subsidiaries to pay certain final judgments aggregating in excess of $75.0 million; (viii) except as permitted by the indenture, any guarantee of the senior notes shall cease for any reason to be in full force and effect or any guarantor, or any person acting on behalf of any guarantor, shall deny or disaffirm its obligations under its guarantee of the senior notes; and (ix) certain events of bankruptcy, insolvency or reorganization described in the indenture. In the case of an event of default as described in the foregoing clause (ix), all outstanding 5.75% Senior Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the then outstanding 5.75% Senior Notes may declare all the 5.75% Senior Notes to be due and payable immediately.

As of and during the six months ended June 30, 2017, we were in compliance with the covenants governing our Senior Notes. There were no defaults or events of default during the six months ended June 30, 2017.

SMP Holdings Credit Facility. SMP Holdings had a $250.0 million revolving credit facility (the "SMP Revolving Credit Facility") and a $200.0 million term loan (the "Term Loan" and, collectively with the SMP Revolving Credit Facility, the "SMP Holdings Credit Facility"). Because funding from the SMP Holdings Credit Facility was used to support the development of the 2016 Drop Down Assets, Summit Investments allocated the SMP Holdings Credit Facility to the Partnership during the common control period. Borrowings under the SMP Holdings Credit Facility incurred interest at LIBOR or a base rate (as defined in the credit agreement) plus an applicable margin. The allocation of activity under the SMP Revolving Credit Facility ended concurrent with the closing of the 2016 Drop Down.

10. FINANCIAL INSTRUMENTS

Concentrations of Credit Risk. Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. We maintain our cash and cash equivalents in bank deposit accounts that frequently exceed federally insured limits. We have not experienced any losses in such accounts and do not believe we are exposed to any significant risk.

Accounts receivable primarily comprise amounts due for the gathering, treating and processing services we provide to our customers and also the sale of natural gas liquids resulting from our processing services. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We monitor the creditworthiness of our counterparties and can require letters of credit for receivables from counterparties that are judged to have substandard credit, unless the credit risk can otherwise be mitigated. Our top five customers or counterparties accounted for 46% of total accounts receivable at June 30, 2017, compared with 62% as of December 31, 2016.

Fair Value. The carrying amount of cash and cash equivalents, accounts receivable and trade accounts payable reported on the balance sheet approximates fair value due to their short-term maturities.

The Deferred Purchase Price Obligation's carrying value is its fair value because carrying value represents the present value of the payment expected to be made in 2020. Our calculation of the Deferred Purchase Price Obligation involves significant assumptions and judgments. Differing assumptions regarding any of these inputs could have a material effect on the ultimate cash payment and the Deferred Purchase Price Obligation. As such, its fair value measurement is classified as a non-recurring Level 3 measurement in the fair value hierarchy because our assumptions and judgments are not observable from objective sources (see Note 16).

The Deferred Purchase Price Obligation represents our only Level 3 financial instrument fair value measurement. A rollforward of our Level 3 liability measured at fair value on a recurring basis follows (in thousands).

Level 3 liability, January 1, 2017	$563,281
Change in fair value	15,825
Level 3 liability, June 30, 2017	$579,106

A summary of the estimated fair value of our debt financial instruments follows.

	June 30, 2017		December 31, 2016	
	Carrying value	Estimated fair value (Level 2)	Carrying value	Estimated fair value (Level 2)
	(In thousands)			
Summit Holdings Revolving Credit Facility	$491,000	$491,000	$648,000	$648,000
Summit Holdings 5.5% Senior Notes ($300.0 million principal)	296,820	300,250	296,484	294,500
Summit Holdings 5.75% Senior Notes ($500.0 million principal)	492,825	504,167	—	—
Summit Holdings 7.5% Senior Notes ($300.0 million principal) (1)	—	—	295,817	316,000

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(1) Debt was extinguished following the 5.75% Senior Notes offering in February 2017. In conjunction with the early debt extinguishment, the remaining unamortized debt issuance costs were written off.

The carrying value on the balance sheet of the Revolving Credit Facility is its fair value due to its floating interest rate. The fair value for the Senior Notes is based on an average of nonbinding broker quotes as of June 30, 2017 and December 31, 2016. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value of the Senior Notes.

11. PARTNERS' CAPITAL

A rollforward of the number of common limited partner and General Partner units follows.

	Common	General Partner	Total
Units, January 1, 2017	72,111,121	1,471,187	73,582,308
Net units issued under SMLP LTIP	184,277	—	184,277
Units issued under ATM Program	763,548	—	763,548
General Partner 2% contribution	—	19,812	19,812
Units, June 30, 2017	73,058,946	1,490,999	74,549,945

Unit Offerings. In February 2017, we completed a secondary underwritten public offering of 4,000,000 SMLP common units held by a subsidiary of Summit Investments pursuant to the 2016 SRS. We did not receive any proceeds from this offering.

At-the-market Program. In February 2017, we executed a new equity distribution agreement and filed a prospectus and a prospectus supplement with the SEC for the issuance and sale from time to time of SMLP

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common units having an aggregate offering price of up to $150.0 million (the "ATM Program"). These sales will be made (i) pursuant to the terms of the equity distribution agreement between us and the sales agents named therein and (ii) by means of ordinary brokers' transactions at market prices, in block transactions or as otherwise agreed between us and the sales agents. Sales of our common units may be made in negotiated transactions or transactions that are deemed to be at-the-market offerings as defined by SEC rules.

During the three months ended June 30, 2017, we sold 745,848 units under the ATM Program for aggregate gross proceeds of $17.3 million, and paid approximately $0.2 million as compensation to the sales agents pursuant to the terms of the equity distribution agreement. During the six months ended June 30, 2017, we sold 763,548 units under the ATM Program for aggregate gross proceeds of $17.7 million, and paid approximately $0.2 million as compensation to the sales agents pursuant to the terms of the equity distribution agreement. Following the effectiveness of the new ATM registration statement and after taking into account the aggregate sales price of common units sold under the ATM Program through June 30, 2017, we have the capacity to issue additional common units under the ATM Program up to an aggregate $132.3 million.

In June 2017, our General Partner made a capital contribution to maintain its 2% general partner interest in SMLP.

Noncontrolling Interest. We have recorded Summit Investments' indirect retained ownership interest in OpCo and its subsidiaries as a noncontrolling interest in the unaudited condensed consolidated financial statements.

Summit Investments' Equity in Contributed Subsidiaries. Summit Investments' equity in contributed subsidiaries represents its position in the net assets of the 2016 Drop Down Assets that have been acquired by SMLP. The balance also reflects net income attributable to Summit Investments for the 2016 Drop Down Assets for the periods beginning on their respective acquisition dates by Summit Investments and ending on the date they were acquired by the Partnership. Net income or loss was attributed to Summit Investments for the 2016 Drop Down Assets for the period from January 1, 2016 to March 3, 2016. Although included in partners' capital, any net income or loss attributable to Summit Investments is excluded from the calculation of EPU.

Cash Distributions Paid and Declared. We paid the following per-unit distributions during the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Per-unit distributions to unitholders	$0.575	$0.575	$1.150	$1.150

On July 27, 2017, the Board of Directors of our General Partner declared a distribution of $0.575 per unit for the quarterly period ended June 30, 2017. This distribution, which totaled $45.0 million, will be paid on August 14, 2017 to unitholders of record at the close of business on August 7, 2017.

Incentive Distribution Rights. Our general partner also currently holds IDRs that entitle it to receive increasing percentage allocations, up to a maximum of 50%, of the cash we distribute from operating surplus in excess of $0.46 per unit per quarter. Our payment of IDRs as reported in distributions to unitholders – general partner in the statement of partners' capital during the three and six months ended June 30 follow.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
IDR payments	$2,106	$1,938	$4,206	$3,874

For the purposes of calculating net income attributable to General Partner in the statements of operations and partners' capital, the financial impact of IDRs is recognized in respect of the quarter for which the distributions were declared. For the purposes of calculating distributions to unitholders in the statements of partners' capital and cash flows, IDR payments are recognized in the quarter in which they are paid.

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12. EARNINGS PER UNIT

The following table details the components of EPU.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per-unit amounts)			
Numerator for basic and diluted EPU:				
Net income (loss) attributable to common units	$8,806	$(51,222)	$6,029	$(59,487)
Denominator for basic and diluted EPU:				
Weighted-average common units outstanding – basic	72,532	66,587	72,341	66,540
Effect of nonvested phantom units	310	—	367	—
Weighted-average common units outstanding – diluted	72,842	66,587	72,708	66,540
Earnings (loss) per limited partner unit:				
Common unit – basic	$0.12	$(0.77)	$0.08	$(0.89)
Common unit – diluted	$0.12	$(0.77)	$0.08	$(0.89)
Nonvested anti-dilutive phantom units excluded from the calculation of diluted EPU	—	4	—	250

13. UNIT-BASED AND NONCASH COMPENSATION

SMLP Long-Term Incentive Plan. The SMLP LTIP provides for equity awards to eligible officers, employees, consultants and directors of our General Partner and its affiliates. Items to note:

- In March 2017, we granted 366,181 phantom units and associated distribution equivalent rights to employees in connection with our annual incentive compensation award cycle. These awards had a grant date fair value of $22.50 and vest ratably over a three-year period.
- Also in March 2017, 184,277 phantom units vested.
- As of June 30, 2017, approximately 3.6 million common units remained available for future issuance under the SMLP LTIP.

14. RELATED-PARTY TRANSACTIONS

Acquisitions. For information on the 2016 Drop Down and its funding, see Notes 11 and 16 of the 2016 Annual Report.

Reimbursement of Expenses from General Partner. Our General Partner and its affiliates do not receive a management fee or other compensation in connection with the management of our business, but will be reimbursed for expenses incurred on our behalf. Under our Partnership Agreement, we reimburse our General Partner and its affiliates for certain expenses incurred on our behalf, including, without limitation, salary, bonus, incentive compensation and other amounts paid to our General Partner's employees and executive officers who perform services necessary to run our business. Our Partnership Agreement provides that our General Partner will determine in good faith the expenses that are allocable to us. The "Due to affiliate" line item on the consolidated balance sheet represents the payables to our General Partner for expenses incurred by it and paid on our behalf.

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Expenses incurred by the General Partner and reimbursed by us under our Partnership Agreement were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Operation and maintenance expense	$6,731	$6,623	$13,612	$13,372
General and administrative expense	7,895	7,679	16,190	15,457

Expenses Incurred by Summit Investments. Prior to the 2016 Drop Down, Summit Investments incurred:

- certain support expenses and capital expenditures on behalf of the contributed subsidiaries. These transactions were settled periodically through membership interests prior to the respective drop down;
- interest expense that was related to capital projects for the contributed subsidiaries. As such, the associated interest expense was allocated to the respective contributed subsidiary's capital projects as a noncash contribution and capitalized into the basis of the asset; and
- noncash compensation expense for the SMP net profits interests, which were accounted for as compensatory awards. As such, the annual expense associated with the SMP net profits was allocated to the respective contributed subsidiary and is reflected in general and administrative expenses in the statements of operations.

Subsequent to any drop down, these expenses are retrospectively included in the reimbursement of General Partner expenses disclosed above due to common control.

In February 2017, SMP Holdings sold 4,000,000 common units representing limited partner interests in SMLP at a price to the public of $24.00 per common unit. Consistent with its obligations under our Partnership Agreement, SMLP paid all costs and expenses of the secondary offering (other than underwriting discounts and fees and expenses of counsel and advisors to SMP Holdings in the sale). SMLP did not receive any of the proceeds from the secondary offering.

15. COMMITMENTS AND CONTINGENCIES

Operating Leases. We and Summit Investments lease certain office space and equipment to support our operations. We have determined that our leases are operating leases. We recognize total rent expense incurred or allocated to us in general and administrative expenses. Rent expense related to operating leases, including rent expense incurred on our behalf and allocated to us, was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Rent expense	$923	$745	$1,802	$1,361

Legal Proceedings. The Partnership is involved in various litigation and administrative proceedings arising in the normal course of business. In the opinion of management, any liabilities that may result from these claims or those arising in the normal course of business would not individually or in the aggregate have a material adverse effect on the Partnership's financial position or results of operations.

Environmental Matters. Although we believe that we are in material compliance with applicable environmental regulations, the risk of environmental remediation costs and liabilities are inherent in pipeline ownership and operation. Furthermore, we can provide no assurances that significant environmental remediation costs and liabilities will not be incurred by the Partnership in the future. We are currently not aware of any material contingent liabilities that exist with respect to environmental matters, except as noted below.

As described in detail in the 2016 Annual Report, in January 2015, Summit Investments learned of the rupture of a four-inch produced water gathering pipeline on the Meadowlark Midstream system near Williston, North Dakota. The incident, which was covered by Summit Investments' insurance policies, was subject to maximum coverage of $25.0 million from its pollution liability insurance policy and $200.0 million from its property and business interruption insurance policy. Summit Investments exhausted the $25.0 million pollution liability policy in 2015. We submitted property and business interruption claim requests to the insurers and reached a settlement in January 2017. In connection therewith, we recognized $2.6 million of business interruption recoveries and $0.4 million of property recoveries.

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A rollforward of the aggregate accrued environmental remediation liabilities follows.

	Total (In thousands)
Accrued environmental remediation, January 1, 2017	$ 9,453
Payments made	(924)
Accrued environmental remediation, June 30, 2017	$ 8,529

As of June 30, 2017, we have recognized (i) a current liability for remediation effort expenditures expected to be incurred within the next 12 months and (ii) a noncurrent liability for estimated remediation expenditures and fines expected to be incurred subsequent to June 30, 2018. Each of these amounts represent our best estimate for costs expected to be incurred. Neither of these amounts has been discounted to its present value.

While we cannot predict the ultimate outcome of this matter with certainty for Summit Investments or Meadowlark Midstream, especially as it relates to any material liability as a result of any governmental proceeding related to the incident, we believe at this time that it is unlikely that SMLP or its General Partner will be subject to any material liability as a result of any governmental proceeding related to the rupture.

16. ACQUISITIONS AND DROP DOWN TRANSACTIONS

2016 Drop Down. On March 3, 2016, SMLP acquired a controlling interest in OpCo, the entity which owns the 2016 Drop Down Assets. These assets include certain natural gas, crude oil and produced water gathering systems located in the Utica Shale, the Williston Basin and the DJ Basin as well as ownership interests in a natural gas gathering system and a condensate stabilization facility, both located in the Utica Shale.

The net consideration paid and recognized in connection with the 2016 Drop Down (i) consisted of a cash payment to SMP Holdings of $360.0 million funded with borrowings under our Revolving Credit Facility and a $0.6 million working capital adjustment received in June 2016 (the “Initial Payment”) and (ii) includes the Deferred Purchase Price Obligation payment due in 2020.

The Deferred Purchase Price Obligation will be equal to:

- six-and-one-half (6.5) multiplied by the average Business Adjusted EBITDA, as defined below and in the Contribution Agreement, of the 2016 Drop Down Assets for 2018 and 2019, less the G&A Adjuster, as defined in the Contribution Agreement;
- less the Initial Payment;
- less all capital expenditures incurred for the 2016 Drop Down Assets between the March 3, 2016 and December 31, 2019;
- plus all Business Adjusted EBITDA from the 2016 Drop Down Assets between March 3, 2016 and December 31, 2019, less the Cumulative G&A Adjuster, as defined in the Contribution Agreement.

Business Adjusted EBITDA is defined as the net income or loss of the 2016 Drop Down Assets for such period:

- plus interest expense, income tax expense and depreciation and amortization of the 2016 Drop Down Assets for such period;
- plus any adjustments related to MVC shortfall payments, impairments and other noncash expenses or losses with respect to the 2016 Drop Down Assets for such period;
- plus any Special Liability Expenses, as defined below and in the Contribution Agreement, for such period;
- less interest income and income tax benefit of the 2016 Drop Down Assets for such period;
- less adjustments related to any other noncash income or gains with respect to the 2016 Drop Down Assets for such period.

Business Adjusted EBITDA shall exclude the effect of any Partnership expenses allocated by or to SMLP or its affiliates in respect of the 2016 Drop Down Assets, such as general and administrative expenses (including compensation-related expenses and professional services fees), transaction costs, allocated interest expense and allocated income tax expense.

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Special Liability Expenses are defined as any and all expenses incurred by SMLP with respect to the Special Liabilities, as defined in the Contribution Agreement, including fines, legal fees, consulting fees and remediation costs.

The present value of the Deferred Purchase Price Obligation will be reflected as a liability on our balance sheet until paid. As of the acquisition date, the estimated future payment obligation (based on management's estimate of the Partnership's share of forecasted Business Adjusted EBITDA and capital expenditures for the 2016 Drop Down Assets) was estimated to be $860.3 million and had a net present value of $507.4 million, using a discount rate of 13%. As of June 30, 2017, Remaining Consideration was estimated to be $793.3 million and the net present value, as recognized on the consolidated balance sheet, was $579.1 million, using a discount rate of 11.5%. Any subsequent changes to the estimated future payment obligation will be calculated using a discounted cash flow model with a commensurate risk-adjusted discount rate. Such changes and the impact on the liability due to the passage of time will be recorded as a change in the Deferred Purchase Price Obligation fair value on the consolidated statements of operations in the period of the change.

At the discretion of the Board of Directors of our General Partner, the Deferred Purchase Price Obligation can be paid in cash, SMLP common units or a combination thereof. We currently expect that the Deferred Purchase Price Obligation will be financed with a combination of (i) net proceeds from the sale of common units by us, (ii) the net proceeds from the issuance of senior unsecured debt by us, (iii) borrowings under our Revolving Credit Facility and/or (iv) other internally generated sources of cash.

Because of the common control aspects in a drop down transaction, the 2016 Drop Down was deemed a transaction between entities under common control. As such, the 2016 Drop Down has been accounted for on an "as-if pooled" basis for all periods in which common control existed and the Partnership's financial results retrospectively include the combined financial results of the 2016 Drop Down Assets for all common-control periods.

Supplemental Disclosures – As-If Pooled Basis. As a result of accounting for our drop down transactions similar to a pooling of interests, our historical financial statements and those of the acquired drop down assets have been combined to reflect the historical operations, financial position and cash flows of the acquired drop down assets from the date common control began. Revenues and net income for the previously separate entities and the combined amounts, as presented in these unaudited condensed consolidated financial statements follow.

	Six months ended June 30, 2016 (In thousands)
SMLP revenues	$ 171,339
2016 Drop Down Assets revenues (1)	8,867
Combined revenues	$ 180,206
SMLP net loss	$ (56,965)
2016 Drop Down Assets net income (1)	2,745
Combined net loss	$ (54,220)

(1) Results are fully reflected in SMLP's results of operations subsequent to closing the respective drop down.

17. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by SMLP and the Guarantor Subsidiaries (see Note 9).

The following supplemental condensed consolidating financial information reflects SMLP's separate accounts, the combined accounts of the Co-Issuers, the combined accounts of the Guarantor Subsidiaries, the combined accounts of the Non-Guarantor Subsidiaries and the consolidating adjustments for the dates and periods indicated. For purposes of the following consolidating information:

- each of SMLP and the Co-Issuers account for their subsidiary investments, if any, under the equity method of accounting; and

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the balances and results of operations associated with the assets, liabilities and expenses that were carved out of Summit Investments and allocated to SMLP in connection with the 2016 Drop Down have been attributed to SMLP during the common control period.

Condensed Consolidating Balance Sheets. Balance sheets as of June 30, 2017 and December 31, 2016 follow.

	June 30, 2017					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Assets						
Cash and cash equivalents	$228	$79	$ 1,921	$ 360	$—	$2,588
Accounts receivable	22	—	45,240	10,575	—	55,837
Other current assets	950	—	1,095	219	—	2,264
Due from affiliate	9,360	14,995	467,452	—	(491,807)	—
Total current assets	10,560	15,074	515,708	11,154	(491,807)	60,689
Property, plant and equipment, net	9,381	—	1,429,927	420,645	—	1,859,953
Intangible assets, net	—	—	377,216	24,804	—	402,020
Goodwill	—	—	16,211	—	—	16,211
Investment in equity method investees	—	—	—	701,020	—	701,020
Other noncurrent assets	2,628	11,674	155	—	—	14,457
Investment in subsidiaries	2,159,778	3,430,690	—	—	(5,590,468)	—
Total assets	$2,182,347	$3,457,438	$ 2,339,217	$ 1,157,623	$ (6,082,275)	$3,054,350
Liabilities and Partners' Capital						
Trade accounts payable	$703	$—	$ 4,852	$ 4,772	$—	$10,327
Accrued expenses	1,729	—	6,020	529	—	8,278
Due to affiliate	482,917	—	—	9,360	(491,807)	470
Deferred revenue	—	—	4,745	—	—	4,745
Ad valorem taxes payable	—	—	6,870	425	—	7,295
Accrued interest	—	17,015	—	—	—	17,015
Accrued environmental remediation	—	—	—	6,183	—	6,183
Other current liabilities	3,275	—	2,643	387	—	6,305
Total current liabilities	488,624	17,015	25,130	21,656	(491,807)	60,618
Long-term debt	—	1,280,645	—	—	—	1,280,645
Deferred Purchase Price Obligation	579,106	—	—	—	—	579,106
Deferred revenue	—	—	13,049	—	—	13,049
Noncurrent accrued environmental remediation	—	—	—	2,346	—	2,346
Other noncurrent liabilities	3,718	—	3,834	135		7,687
Total liabilities	1,071,448	1,297,660	42,013	24,137	(491,807)	1,943,451
Total partners' capital	1,110,899	2,159,778	2,297,204	1,133,486	(5,590,468)	1,110,899
Total liabilities and partners' capital	$2,182,347	$3,457,438	$ 2,339,217	$ 1,157,623	$ (6,082,275)	$3,054,350

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	December 31, 2016					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Assets						
Cash and cash equivalents	$698	$51	$5,647	$ 1,032	$—	$7,428
Accounts receivable	53	—	89,584	7,727	—	97,364
Other current assets	1,526	—	2,328	455	—	4,309
Due from affiliate	14,896	38,013	369,995	—	(422,904)	—
Total current assets	17,173	38,064	467,554	9,214	(422,904)	109,101
Property, plant and equipment, net	2,266	—	1,440,180	411,225	—	1,853,671
Intangible assets, net	—	—	396,930	24,522	—	421,452
Goodwill	—	—	16,211	—	—	16,211
Investment in equity method investees	—	—	—	707,415	—	707,415
Other noncurrent assets	1,993	5,198	138	—	—	7,329
Investment in subsidiaries	2,132,757	3,347,393	—	—	(5,480,150)	—
Total assets	$2,154,189	$3,390,655	$2,321,013	$ 1,152,376	$(5,903,054)	$3,115,179
Liabilities and Partners' Capital						
Trade accounts payable	$978	$—	$9,901	$ 5,372	$—	$16,251
Accrued expenses	2,399	114	6,069	2,807	—	11,389
Due to affiliate	408,266	—	—	14,896	(422,904)	258
Ad valorem taxes payable	16	—	9,717	855	—	10,588
Accrued interest	—	17,483	—	—	—	17,483
Accrued environmental remediation	—	—	—	4,301	—	4,301
Other current liabilities	6,718	—	3,798	955	—	11,471
Total current liabilities	418,377	17,597	29,485	29,186	(422,904)	71,741
Long-term debt	—	1,240,301	—	—	—	1,240,301
Deferred Purchase Price Obligation	563,281	—	—	—	—	563,281
Deferred revenue	—	—	57,465	—	—	57,465
Noncurrent accrued environmental remediation	—	—	—	5,152	—	5,152
Other noncurrent liabilities	2,858	—	4,602	106	—	7,566
Total liabilities	984,516	1,257,898	91,552	34,444	(422,904)	1,945,506
Total partners' capital	1,169,673	2,132,757	2,229,461	1,117,932	(5,480,150)	1,169,673
Total liabilities and partners' capital	$2,154,189	$3,390,655	$2,321,013	$ 1,152,376	$(5,903,054)	$3,115,179

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Condensed Consolidating Statements of Operations. For the purposes of the following condensed consolidating statements of operations, we allocate general and administrative expenses recognized at the SMLP parent to the Guarantor Subsidiaries and Non-Guarantor Subsidiaries to reflect what those entities' results would have been had they operated on a stand-alone basis. Statements of operations for the three and six months ended June 30, 2017 and 2016 follow.

	Three months ended June 30, 2017					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Revenues:						
Gathering services and related fees	$—	$ —	$ 65,654	$ 19,147	$ —	$ 84,801
Natural gas, NGLs and condensate sales	—	—	10,407	188	—	10,595
Other revenues	—	—	5,880	516	—	6,396
Total revenues	—	—	81,941	19,851	—	101,792
Costs and expenses:						
Cost of natural gas and NGLs	—	—	9,079	20	—	9,099
Operation and maintenance	—	—	20,917	3,099	—	24,016
General and administrative	—	—	10,544	2,405	—	12,949
Depreciation and amortization	154	—	24,624	3,910	—	28,688
Transaction costs	119	—	—	—	—	119
Loss on asset sales, net	—	—	65	2	—	67
Long-lived asset impairment	—	—	2	1	—	3
Total costs and expenses	273	—	65,231	9,437	—	74,941
Other income	64	—	—	—	—	64
Interest expense	—	(17,553)	—	—	—	(17,553)
Deferred Purchase Price Obligation	5,058	—	—	—	—	5,058
Income (loss) before income taxes and loss from equity method investees	4,849	(17,553)	16,710	10,414	—	14,420
Income tax benefit	211	—	—	—	—	211
Loss from equity method investees	—	—	—	(3,385)	—	(3,385)
Equity in earnings of consolidated subsidiaries	6,186	23,739	—	—	(29,925)	—
Net income	$ 11,246	$ 6,186	$ 16,710	$ 7,029	$ (29,925)	$ 11,246

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	Three months ended June 30, 2016					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Revenues:						
Gathering services and related fees	$—	$—	$ 62,677	$ 13,510	$ —	$76,187
Natural gas, NGLs and condensate sales	—	—	8,581	—	—	8,581
Other revenues	—	—	4,306	561	—	4,867
Total revenues	—	—	75,564	14,071	—	89,635
Costs and expenses:						
Cost of natural gas and NGLs	—	—	6,864	—	—	6,864
Operation and maintenance	—	—	21,042	2,368	—	23,410
General and administrative	—	—	10,761	2,115	—	12,876
Depreciation and amortization	154	—	24,757	3,052	—	27,963
Transaction costs	122	—	—	—	—	122
Loss on asset sales, net	—	—	74	—	—	74
Long-lived asset impairment	—	—	40	529	—	569
Total costs and expenses	276	—	63,538	8,064	—	71,878
Other income	19	—	—	—	—	19
Interest expense	—	(16,035)	—	—	—	(16,035)
Deferred Purchase Price Obligation	(17,465)	—	—	—	—	(17,465)
(Loss) income before income taxes and loss from equity method investees	(17,722)	(16,035)	12,026	6,007	—	(15,724)
Income tax expense	(360)	—	—	—	—	(360)
Loss from equity method investees	—	—	—	(34,471)	—	(34,471)
Equity in earnings of consolidated subsidiaries	(32,473)	(16,438)	—	—	48,911	—
Net (loss) income	$(50,555)	$(32,473)	$ 12,026	$ (28,464)	$ 48,911	$(50,555)

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	Six months ended June 30, 2017					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Revenues:						
Gathering services and related fees	$—	$—	$ 166,336	$ 36,478	$—	$202,814
Natural gas, NGLs and condensate sales	—	—	21,527	188	—	21,715
Other revenues	—	—	11,841	1,227	—	13,068
Total revenues	—	—	199,704	37,893	—	237,597
Costs and expenses:						
Cost of natural gas and NGLs	—	—	18,128	23	—	18,151
Operation and maintenance	—	—	41,768	5,940	—	47,708
General and administrative	—	—	22,762	4,319	—	27,081
Depreciation and amortization	308	—	49,221	7,728	—	57,257
Transaction costs	119	—	—	—	—	119
Loss on asset sales, net	—	—	68	2	—	70
Long-lived asset impairment	—	—	2	285	—	287
Total costs and expenses	427	—	131,949	18,297	—	150,673
Other income	135	—	—	—	—	135
Interest expense	—	(34,269)	—	—	—	(34,269)
Early extinguishment of debt	—	(22,020)	—	—	—	(22,020)
Deferred Purchase Price Obligation	(15,825)	—	—	—	—	(15,825)
(Loss) income before income taxes and loss from equity method investees	(16,117)	(56,289)	67,755	19,596	—	14,945
Income tax expense	(241)	—	—	—	—	(241)
Loss from equity method investees	—	—	—	(4,041)	—	(4,041)
Equity in earnings of consolidated subsidiaries	27,021	83,310	—	—	(110,331)	—
Net income	$10,663	$27,021	$ 67,755	$ 15,555	$(110,331)	$10,663

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	Six months ended June 30, 2016					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Revenues:						
Gathering services and related fees	$—	$—	$ 127,445	$ 26,842	$ —	$ 154,287
Natural gas, NGLs and condensate sales	—	—	16,169	—	—	16,169
Other revenues	—	—	8,674	1,076	—	9,750
Total revenues	—	—	152,288	27,918	—	180,206
Costs and expenses:						
Cost of natural gas and NGLs	—	—	13,154	—	—	13,154
Operation and maintenance	—	—	43,614	5,638	—	49,252
General and administrative	—	—	20,891	4,864	—	25,755
Depreciation and amortization	270	—	49,429	5,992	—	55,691
Transaction costs	1,296	—	—	—	—	1,296
Loss on asset sales, net	—	—	11	—	—	11
Long-lived asset impairment	—	—	41	528	—	569
Total costs and expenses	1,566	—	127,140	17,022	—	145,728
Other income	41	—	—	—	—	41
Interest expense	(1,441)	(30,476)	—	—	—	(31,917)
Deferred Purchase Price Obligation	(24,928)	—	—	—	—	(24,928)
(Loss) income before income taxes and loss from equity method investees	(27,894)	(30,476)	25,148	10,896	—	(22,326)
Income tax expense	(283)	—	—	—	—	(283)
Loss from equity method investees	—	—	—	(31,611)	—	(31,611)
Equity in earnings of consolidated subsidiaries	(26,043)	4,433	—	—	21,610	—
Net (loss) income	$ (54,220)	$ (26,043)	$ 25,148	$ (20,715)	$ 21,610	$ (54,220)

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Condensed Consolidating Statements of Cash Flows. Statements of cash flows for the six months ended June 30, 2017 and 2016 follow.

	Six months ended June 30, 2017					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	$424	$(32,466)	$114,872	$38,511	$—	$121,341
Cash flows from investing activities:						
Capital expenditures	(6,412)	—	(21,474)	(18,026)	—	(45,912)
Contributions to equity method investees	—	—	—	(15,649)	—	(15,649)
Other, net	(521)	—	—	—	—	(521)
Advances to affiliates	5,536	23,020	(97,460)	—	68,904	—
Net cash used in investing activities	(1,397)	23,020	(118,934)	(33,675)	68,904	(62,082)
Cash flows from financing activities:						
Distributions to unitholders	(89,029)	—	—	—	—	(89,029)
Borrowings under Revolving Credit Facility	—	112,500	—	—	—	112,500
Repayments under Revolving Credit Facility	—	(269,500)	—	—	—	(269,500)
Debt issuance costs	—	(15,613)	—	—	—	(15,613)
Payment of redemption and call premiums on senior notes	—	(17,913)	—	—	—	(17,913)
Proceeds from ATM Program issuances, net of costs	17,259	—	—	—	—	17,259
Contribution from General Partner	465	—	—	—	—	465
Issuance of senior notes	—	500,000	—	—	—	500,000
Tender and redemption of senior notes	—	(300,000)	—	—	—	(300,000)
Other, net	(2,632)	—	336	28	—	(2,268)
Advances from affiliates	74,440	—	—	(5,536)	(68,904)	—
Net cash provided by (used in) financing activities	503	9,474	336	(5,508)	(68,904)	(64,099)
Net change in cash and cash equivalents	(470)	28	(3,726)	(672)	—	(4,840)
Cash and cash equivalents, beginning of period	698	51	5,647	1,032	—	7,428
Cash and cash equivalents, end of period	$228	$79	$1,921	$360	$—	$2,588

	Six months ended June 30, 2016					
	SMLP	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating adjustments	Total
	(In thousands)					
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	$750	$(28,517)	$119,435	$39,832	$—	$131,500
Cash flows from investing activities:						
Capital expenditures	(512)	—	(30,745)	(60,115)	—	(91,372)
Contributions to equity method investees	—	—	—	(15,645)	—	(15,645)
Acquisitions of gathering systems from affiliate	(359,431)	—	—	—	—	(359,431)
Other, net	(435)	—	—	—	—	(435)
Advances to affiliates	(8,978)	(357,486)	(93,269)	—	459,733	—
Net cash used in investing activities	(369,356)	(357,486)	(124,014)	(75,760)	459,733	(466,883)
Cash flows from financing activities:						
Distributions to unitholders	(82,020)	—	—	—	—	(82,020)
Borrowings under Revolving Credit Facility	12,000	427,300	—	—	—	439,300
Repayments under Revolving Credit Facility	—	(50,300)	—	—	—	(50,300)
Debt issuance costs	—	(2,766)	—	—	—	(2,766)
Cash advance from Summit Investments to contributed subsidiaries, net	(12,000)	—	—	24,214	—	12,214
Expenses paid by Summit Investments on behalf of contributed subsidiaries	3,030	—	—	1,791	—	4,821
Other, net	(912)	—	—	(4)	—	(916)
Advances from affiliates	450,755	—	—	8,978	(459,733)	—
Net cash provided by financing activities	370,853	374,234	—	34,979	(459,733)	320,333
Net change in cash and cash equivalents	2,247	(11,769)	(4,579)	(949)	—	(15,050)
Cash and cash equivalents, beginning of period	73	12,407	6,930	2,383	—	21,793
Cash and cash equivalents, end of period	$2,320					