

PBF Logistics LP
Form 10-Q
November 13, 2014

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: September 30, 2014

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: 001-36446

PBF LOGISTICS LP

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

35-2470286

(I.R.S. Employer Identification No.)

One Sylvan Way, Second Floor
Parsippany, New Jersey
(Address of principal executive offices)
(973) 455-7500

07054

(Zip Code)

(Registrant’s telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of November 12, 2014, there were 16,476,089 common units and 15,886,553 subordinated units outstanding.

PBF LOGISITICS LP

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EXPLANATORY NOTE

PBF Logistics LP (“PBFX” or the “Partnership”) is a Delaware limited partnership formed in February 2013. PBF Logistics GP LLC (“PBF GP” or “our general partner”) serves as the general partner of PBFX. PBF GP is wholly-owned by PBF Energy Company LLC (“PBF LLC”). PBF Energy Inc. (“PBF Energy”) is the sole managing member of PBF LLC and as of September 30, 2014 owned 90.4% of the total economic interest in PBF LLC. In addition, PBF LLC is the sole managing member of PBF Holding Company LLC (“PBF Holding”), a Delaware limited liability company and affiliate of PBFX. On May 14, 2014, PBFX completed its initial public offering (the “Offering”). PBF LLC holds a 51.1% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights, with the remaining 48.9% limited partner interest owned by public unit holders as of September 30, 2014.

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to “PBF MLP Predecessor,” and “we,” “our,” “us,” or like terms, when used in the context of periods prior to May 14, 2014, refer to PBF MLP Predecessor, our predecessor for accounting purposes, which includes the assets, liabilities and results of operations of certain crude oil terminaling assets of PBF Holding. The assets were owned and operated by PBF Holding’s subsidiaries Delaware City Refining Company LLC (“DCR”) and Toledo

Refining Company LLC ("TRC") and were contributed to PBFX. PBF Holding, together with its subsidiaries, owns and operates three oil refineries and related facilities in North America. PBF Energy, through its ownership of PBF LLC, controls all of the business and affairs of PBFX and PBF Holding.

On September 30, 2014, the Partnership acquired from PBF Holding the Delaware City West Heavy Unloading Rack (the "DCR West Rack"), a heavy crude oil rail unloading facility at the Delaware City refinery with total throughput capacity of approximately 40,000 barrels per day (the "Acquisition"). The Acquisition was a transfer between entities under common control. Accordingly, the accompanying financial statements and related notes of PBF MLP Predecessor and the Partnership have been retrospectively adjusted to include the historical results of the Acquisition for all periods presented through September 30, 2014, the date of the acquisition ("DCR West Rack Predecessor"). We refer to the historical results of PBF MLP Predecessor and the DCR West Rack Predecessor collectively as our "Predecessors."

References in this Form 10-Q to "PBF Logistics LP," "PBFX," the "Partnership" and "we," "our," "us," or like terms used in the context of periods on or after May 14, 2014, refer to PBF Logistics LP and its subsidiaries. See Note 3 to our condensed consolidated financial statements for further information regarding the Offering and related transactions.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q (including information incorporated by reference) contains certain "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995, of expected future developments that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions that relate to strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as "cautionary statements," are disclosed in the section entitled "Risk Factors" in our prospectus dated May 8, 2014, as filed with the U.S. Securities and Exchange Commission ("SEC") on May 9, 2014 (the "Prospectus") and elsewhere in this Form 10-Q. All forward-looking information in this Form 10-Q and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements, as well as the following risks and uncertainties:

- our limited operating history as a separate public partnership;
- changes in general economic conditions;
- our ability to have sufficient cash from operations to enable us to pay the minimum quarterly distribution;
- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the supply of, and demand for, crude oil, refined products and logistics services;
- our ability to successfully implement our business plan;
- our dependence on PBF Energy for all of our revenues and, therefore, we are subject to the business risks of PBF Energy;

all of our revenue is generated at two of PBF Energy's facilities, and any adverse development at either facility could have a material adverse effect on us;

- our ability to complete internal growth projects on time and on budget;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to handling crude oil;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- changes in the availability and cost of capital;
- the effects of existing and future laws and governmental regulations;
- changes in insurance markets impacting costs and the level and types of coverage available;
- the timing and extent of changes in commodity prices and demand for PBF Energy's refined products;
- the suspension, reduction or termination of PBF Energy's obligations under our commercial agreements;
- disruptions due to equipment interruption or failure at our facilities, PBF Energy's facilities or third-party facilities on which our business is dependent;
- incremental costs as a stand-alone public company;
- our general partner and its affiliates, including PBF Energy, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders;
- our partnership agreement restricts the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty;
- holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors;
- our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as our not being subject to a material amount of entity level taxation by individual states;
- changes at any time (including on a retroactive basis) in the tax treatment of publicly traded partnerships or an investment in our common units;
- our unitholders will be required to pay taxes on their share of our taxable income even if they do not receive any cash distributions from us;
- the effects of future litigation; and
- other factors discussed elsewhere in this Form 10-Q.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements.

Our forward-looking statements speak only as of the date of this Form 10-Q. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to update or revise any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

PART 1 - FINANCIAL INFORMATION

PBF LOGISTICS LP
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (unaudited, in thousands, except unit data)

	September 30, 2014	December 31, 2013* Predecessors
ASSETS		
Current assets:		
Cash and cash equivalents	\$12,085	\$—
Accounts receivable - affiliates	5,277	—
Prepaid expenses and other current assets	508	—
Total current assets	17,870	—
Property, plant and equipment, net	75,138	47,573
Marketable securities	264,913	—
Other assets, net	2,124	—
Total assets	\$360,045	\$47,573
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable- affiliates	\$1,279	\$—
Accounts payable and accrued liabilities	1,038	2,528
Total current liabilities	2,317	2,528
Long-term debt	405,000	—
Other long-term liabilities	—	—
Total liabilities	407,317	2,528
Commitments and contingencies (Note 10)		
Equity:		
Net investment - Predecessors	—	45,045
Common unitholders - Public (15,812,500 units issued and outstanding)	337,116	—
Common unitholder - PBF LLC (663,589 units issued and outstanding)	(92,831) —
Subordinated unitholder - PBF LLC (15,886,553 units issued and outstanding)	(291,557) —
Total equity	(47,272) 45,045
Total liabilities and equity	\$360,045	\$47,573

* Prior-period financial information has been retrospectively adjusted for the Acquisition.

See notes to condensed consolidated financial statements.

PBF LOGISTICS LP

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except unit and per unit data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013* Predecessors	2014	2013* Predecessors
Revenue from affiliates	\$ 14,744	\$—	\$ 22,526	\$—
Costs and expenses:				
Operating and maintenance expenses	4,070			