

PBF Logistics LP
Form 10-Q
November 04, 2016

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: September 30, 2016

Or

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

For the transition period from _____ to _____

Commission File Number: 001-36446

PBF LOGISTICS LP

(Exact name of registrant as specified in its charter)

DELAWARE 35-2470286
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

One Sylvan Way, Second Floor 07054
Parsippany, New Jersey
(Address of principal executive offices) (Zip Code)
(973) 455-7500
(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 2, 2016, there were 25,843,341 common units and 15,886,553 subordinated units outstanding.

PBF LOGISTICS 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, 2016, owned 95.2% 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. PBF LLC holds a 44.2% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights (“IDRs”), with the remaining 55.8% limited partner interest owned by public unitholders as of September 30, 2016.

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to “Predecessor,” and “we,” “our,” “us,” or like terms, when used in the context of periods prior to PBFX’s initial public offering, which closed on May 14, 2014 (the “Offering”), refer to PBF MLP Predecessor, our predecessor for accounting purposes, which includes assets, liabilities and results of operations of certain crude oil and refined product transportation, terminaling and storage assets, previously operated and owned by PBF Holding’s subsidiaries, Delaware City Refining Company LLC (“DCR”), Toledo Refining Company LLC (“TRC”), and PBF Holding’s previously held subsidiary, Delaware Pipeline Company LLC (“DPC”). As of September 30, 2016, PBF Holding, together with its subsidiaries, owns and operates five 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.

PBFX's initial assets consisted of the Delaware City Rail Unloading Terminal ("DCR Rail Terminal"), which was part of PBF Holding's Delaware City, Delaware refinery, and the Toledo Truck Unloading Terminal ("Toledo Truck Terminal"), which was part of PBF Holding's Toledo, Ohio refinery, which together with the DCR Rail Terminal, we refer to as the "IPO Assets". On September 30, 2014, the Partnership acquired from PBF LLC 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 at least 40,000 barrels per day ("bpd"). On December 11, 2014, the Partnership acquired from PBF LLC a tank farm and related facilities located at PBF Holding's Toledo refinery, including a propane storage and loading facility (the "Toledo Storage Facility"). On May 14, 2015, the Partnership acquired from PBF LLC a 23.4 mile, 16-inch interstate petroleum products pipeline with capacity in excess of 125,000 bpd (the "Delaware City Products Pipeline") and a 15-lane, 76,000 bpd capacity truck loading rack (the "Delaware City Truck Rack") located at PBF Holding's Delaware City, Delaware refinery. The Delaware City Products Pipeline and the Delaware City Truck Rack are collectively referred to as the "Delaware City Products Pipeline and Truck Rack." On August 31, 2016, the Partnership, through its wholly-owned subsidiary, PBFX Operating Company LP ("PBFX Op Co"), acquired from PBF LLC a 50% equity interest in Torrance Valley Pipeline Company LLC ("TVPC"), which owns the 189-mile San Joaquin Valley Pipeline system with capacity of approximately 110,000 bpd (the "Torrance Valley Pipeline"), which supports PBF Holding's Torrance refinery (the "TVPC Acquisition"). The Torrance Valley Pipeline consists of the M55, M1 and M70 pipeline systems, including 11 pipeline stations with storage capacity and truck unloading capability at two of the stations. The transactions entered into with PBF LLC after the Offering are collectively referred to as "Acquisitions from PBF." The Acquisitions from PBF were transfers between entities under common control. Accordingly, the financial information of the Predecessor and the Partnership contained herein have been retrospectively adjusted to include the historical results of the Acquisitions from PBF for all periods presented prior to the effective date of each transaction.

On April 29, 2016, the Partnership's wholly-owned subsidiary, PBF Logistics Products Terminals LLC ("PLPT"), purchased four refined product terminals (the "East Coast Terminals") from an affiliate of Plains All American Pipeline, L.P. (the "Plains Asset Purchase"). PBFX accounted for the Plains Asset Purchase as a business combination under accounting principles generally accepted in the United States of America ("U.S. GAAP") whereby the Partnership recognizes assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition.

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.

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 under "Item 1A. Risk Factors," "Management's Discussion and

Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2015, which we refer to as our 2015 Form 10-K, and in our other filings with the U.S. Securities and Exchange Commission (“SEC”). 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. Some of the factors that we believe could affect our results include:

- our limited operating history as a separate public partnership;
- changes in general economic conditions;
- our ability to make, complete and integrate acquisitions from affiliates or third parties;
- 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 a substantial majority of our revenues, which subjects us to the business risks of PBF Energy;
- a substantial majority of our revenue is generated at three of PBF Energy’s facilities, and any adverse development at any of these facilities could have a material adverse effect on us;
- our ability to complete internal growth projects on time and on budget;
- our ability to make, complete and integrate acquisitions from affiliates or third parties, including the recently completed Plains Asset Purchase and TVPC Acquisition, and to realize the benefits from such acquisitions;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to handling crude oil and petroleum products;
- 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, including those related to the shipment of crude oil by trains;
- 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 and the differential in the prices of different crude oils;
- 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 separate public partnership;
- 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, including
related impacts on potential dropdown transactions with PBF LLC, 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, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,271	\$ 18,678
Marketable securities - current	59,991	—
Accounts receivable - affiliates	31,746	23,949
Accounts receivable, net	3,981	—
Prepaid expenses and other current assets	2,574	469
Total current assets	142,563	43,096
Marketable securities	—	234,258
Property, plant and equipment, net	592,851	145,548
Total assets	\$ 735,414	\$ 422,902
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable - affiliates	\$ 3,041	\$ 3,438
Accounts payable and accrued liabilities	18,971	5,504
Current portion of long-term debt	59,664	—
Deferred revenue	889	—
Total current liabilities	82,565	8,942
Long-term debt	511,594	599,635
Other long-term liabilities	3,506	—
Total liabilities	597,665	608,577
Commitments and contingencies (Note 8)		
Equity:		
Common unitholders - Public (23,270,397 and 15,924,676 units issued and outstanding, as of September 30, 2016 and December 31, 2015, respectively)	429,837	340,317
Common unitholder - PBF LLC (2,572,944 units issued and outstanding, as of September 30, 2016 and December 31, 2015)	(193,210)	(248,363)
Subordinated unitholder - PBF LLC (15,886,553 units issued and outstanding, as of September 30, 2016 and December 31, 2015)	(276,270)	(277,094)
IDR holder - PBF LLC	1,125	(535)
Total PBF Logistics LP equity	(38,518)	(185,675)
Noncontrolling interest	176,267	—
Total equity	137,749	(185,675)
Total liabilities and equity	\$ 735,414	\$ 422,902

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	Nine
	Ended	Months
	September 30,	Ended
		September
		30,
2016	2015	2016