MPLX LP
Form 10-Q
August 03, 2016
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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, 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 001-35714

MPLX LP
(Exact name of registrant as specified in its charter)

Delaware	27-0005456
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 E. Hardin Street, Findlay, Ohio	45840
(Address of principal executive offices)	(Zip code)

(419) 672-6500
(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 x 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 x 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. (Check one):

Large accelerated filer	x	Accelerated filer	¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ¨ No x

MPLX LP had 335,635,872 common units, 3,990,878 Class B units and 7,513,899 general partner units outstanding at July 27, 2016.

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Form 10-Q
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Unless the context otherwise requires, references in this report to “MPLX LP,” “the Partnership,” “we,” “our,” “us,” or like ter refer to MPLX LP and its subsidiaries, including MPLX Operations LLC (“MPLX Operations”), MPLX Terminal and Storage LLC (“MPLX Terminal and Storage”), MarkWest Energy Partners, L.P. (“MarkWest”), MarkWest Hydrocarbon, Inc. (“MarkWest Hydrocarbon”), MPLX Pipe Line Holdings LLC (“Pipe Line Holdings”) and Hardin Street Marine LLC (“HSM”). We have partial ownership interests in a number of joint venture legal entities, including MarkWest Pioneer, L.L.C. (“MarkWest Pioneer”), MarkWest Utica EMG, L.L.C. (“MarkWest Utica EMG”) and its subsidiary Ohio Gathering Company, L.L.C. (“Ohio Gathering”), Ohio Condensate Company, L.L.C. (“Ohio Condensate”), Wirth Gathering Partnership (“Wirth”) and MarkWest EMG Jefferson Dry Gas Gathering Company, L.L.C. (“Jefferson Dry Gas”). References to “MPC” refer collectively to Marathon Petroleum Corporation and its subsidiaries, other than the Partnership. References to “Predecessor” refer collectively to HSM’s related assets, liabilities and results of operations.

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Glossary of Terms

The abbreviations, acronyms and industry technology used in this report are defined as follows.

Bbl	Barrels
Btu	One British thermal unit, an energy measurement
Condensate	A natural gas liquid with a low vapor pressure mainly composed of propane, butane, pentane and heavier hydrocarbon fractions
DCF (a non-GAAP financial measure)	Distributable Cash Flow
Dth/d	Dekatherms per day
EBITDA (a non-GAAP financial measure)	Earnings Before Interest, Taxes, Depreciation and Amortization
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States of America
Gal	Gallon
Gal/d	Gallons per day
Initial Offering	Initial public offering on October 31, 2012
LIBOR	London Interbank Offered Rate
mbpd	Thousand barrels per day
MMBtu	One million British thermal units, an energy measurement
mmcf/d	One million cubic feet of natural gas per day
Net operating margin (a non-GAAP financial measure)	Segment revenue, less segment purchased product costs, less realized derivative gain (loss)
NGL	Natural gas liquids, such as ethane, propane, butanes and natural gasoline
OTC	Over-the-Counter
SEC	Securities and Exchange Commission
SMR	Steam methane reformer, operated by a third party and located at the Javelina gas processing and fractionation complex in Corpus Christi, Texas
VIE	Variable interest entity
WTI	West Texas Intermediate

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Part I—Financial Information

Item 1. Financial Statements
MPLX LP
Consolidated Statements of Income (Unaudited)

(In millions, except per unit data)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015[(1)]	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015[(1)]
Revenues and other income:				
Service revenue	$233	$16	$462	$32
Service revenue - related parties	145	152	295	294
Rental income	71	—	141	—
Rental income - related parties	29	25	55	50
Product sales	137	—	237	—
Product sales - related parties	3	—	6	—
Loss from equity method investments	(83)	—	(78)	—
Other income	1	2	3	3
Other income - related parties	28	18	52	35
Total revenues and other income	564	213	1,173	414
Costs and expenses:				
Cost of revenues (excludes items below)	84	46	173	88
Purchased product costs	114	—	193	—
Rental cost of sales	14	—	28	—
Purchases - related parties	78	40	154	80
Depreciation and amortization	137	20	269	39
Impairment expense	1	—	130	—
General and administrative expenses	49	21	101	43
Other taxes	11	4	22	8
Total costs and expenses	488	131	1,070	258
Income from operations	76	82	103	156
Related party interest and other financial costs	—	—	1	—
Interest expense (net of amounts capitalized of $7 million, $1 million, $14 million and $1 million, respectively)	52	6	107	11
Other financial costs	12	—	24	1
Income (loss) before income taxes	12	76	(29)	144
Benefit for income taxes	(8)	—	(12)	—
Net income (loss)	20	76	(17)	144
Less: Net income attributable to noncontrolling interests	1	1	1	1
Less: Net income attributable to Predecessor	—	24	23	46
Net income (loss) attributable to MPLX LP	19	51	(41)	97
Less: Preferred unit distributions	9	—	9	—
Less: General partner's interest in net income attributable to MPLX LP	46	7	85	11
Limited partners' interest in net (loss) income attributable to MPLX LP	$(36)	$44	$(135)	$86
Per Unit Data (See Note 6)				
Net (loss) income attributable to MPLX LP per limited partner unit:				
Common - basic	$(0.11)	$0.50	$(0.43)	$0.96
Common - diluted	(0.11)	0.50	(0.43)	0.96
Subordinated - basic and diluted	—	0.50	—	0.96

Weighted average limited partner units outstanding:				
Common - basic	331	43	316	43
Common - diluted	331	43	316	43
Subordinated - basic and diluted	—	37	—	37
Cash distributions declared per limited partner common unit	$0.5100	$0.4400	$1.0150	$0.8500

(1) Financial information has been retrospectively adjusted for the acquisition of Hardin Street Marine LLC from MPC. See Notes 1 and 3.

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

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MPLX LP
Consolidated Balance Sheets (Unaudited)

(In millions)	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$35	$ 43
Receivables, net	265	245
Receivables - related parties	113	187
Inventories	49	51
Other current assets	24	50
Total current assets	486	576
Equity method investments	2,485	2,458
Property, plant and equipment, net	10,360	9,997
Intangibles, net	511	466
Goodwill	2,199	2,570
Long-term receivables - related parties	26	25
Other noncurrent assets	12	12
Total assets	$16,079	$ 16,104
Liabilities		
Current liabilities:		
Accounts payable	$102	$ 91
Accrued liabilities	180	187
Payables - related parties	65	54
Deferred revenue - related parties	38	32
Accrued property, plant and equipment	163	168
Accrued taxes	32	27
Accrued interest payable	53	54
Other current liabilities	17	12
Total current liabilities	650	625
Long-term deferred revenue	9	4
Long-term deferred revenue - related parties	10	9
Long-term debt	4,400	5,255
Deferred income taxes	368	378
Deferred credits and other liabilities	176	166
Total liabilities	5,613	6,437
Commitments and contingencies (see Note 19)		
Redeemable preferred units	993	—
Equity		
Common unitholders - public (252 million and 240 million units issued and outstanding)	7,658	7,691
Class B unitholders (8 million units issued and outstanding)	266	266
Common unitholder - MPC (79 million and 57 million units issued and outstanding)	1,049	465
General partner - MPC (8 million and 7 million units issued and outstanding)	485	819
Equity of Predecessor	—	413
Total MPLX LP partners' capital	9,458	9,654
Noncontrolling interest	15	13
Total equity	9,473	9,667
Total liabilities, preferred units and equity	$16,079	$ 16,104

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

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MPLX LP
Consolidated Statements of Cash Flows (Unaudited)

(In millions)	Six Months Ended June 30, 2016	2015[1]
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net (loss) income	$(17)	$ 144
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	23	1
Depreciation and amortization	269	39
Impairment expense	130	—
Deferred income taxes	(13)	(1)
Asset retirement expenditures	(2)	—
Loss from equity method investments	78	—
Distributions from unconsolidated affiliates	78	—
Changes in:		
Current receivables	(20)	(2)
Inventories	(3)	—
Change in fair value of derivatives	25	—
Current accounts payable and accrued liabilities	18	12
Receivables from / liabilities to related parties	6	(19)
All other, net	21	(1)
Net cash provided by operating activities	593	173
Investing activities:		
Additions to property, plant and equipment	(569)	(70)
Investments - loans from (to) related parties	77	(38)
Investments in unconsolidated affiliates	(39)	—
All other, net	5	(1)
Net cash used in investing activities	(526)	(109)
Financing activities:		
Long-term debt - borrowings	434	528
- repayments	(1,311)	(415)
Related party debt - borrowings	1,853	—
- repayments	(1,861)	—
Debt issuance costs	—	(4)
Net proceeds from equity offerings	321	1
Issuance of redeemable preferred units	984	—
Distributions to unitholders and general partner	(391)	(70)
Distributions to noncontrolling interests	(1)	(1)
Contributions from noncontrolling interests	2	—
All other, net	(1)	—
Distributions to MPC from Predecessor	(104)	—
Net cash (used in) provided by financing activities	(75)	39
Net (decrease) increase in cash and cash equivalents	(8)	103
Cash and cash equivalents at beginning of period	43	27
Cash and cash equivalents at end of period	$35	$ 130

(1) Financial information has been retrospectively adjusted for the acquisition of Hardin Street Marine LLC from MPC. See Notes 1 and 3.

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

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MPLX LP
Consolidated Statements of Equity (Unaudited)

(In millions)	Partnership Common Unitholders Public	Class B Unitholders Public	Common Unitholder MPC	Subordinated Unitholder MPC	General Partner MPC	Noncontrolling Interests	Equity of Predecessor[1]	Total
Balance at December 31, 2014	$639	$ —	$261	$ 217	$ (660)	$ 6	$ 321	$784
Issuance of units under ATM program	1	—	—	—	—	—	—	1
Net income	25	—	21	40	11	1	46	144
Distributions to unitholders and general partner	(19)	—	(16)	(29)	(6)	—	—	(70)
Distributions to noncontrolling interests	—	—	—	—	—	(1)	—	(1)
Equity-based compensation	1	—	—	—	—	—	—	1
Balance at June 30, 2015	$647	$ —	$266	$ 228	$ (655)	$ 6	$ 367	$859
Balance at December 31, 2015	$7,691	$ 266	$465	$ —	$ 819	$ 13	$ 413	$9,667
Distributions to MPC from Predecessor	—	—	—	—	—	—	(104)	(104)
Issuance of units under ATM Program	315	—	—	—	6	—	—	321
Net (loss) income	(107)	—	(28)	—	85	1	23	(26)
Contribution from MPC	—	—	12	—	3	—	—	15
Distribution to MPC	—	—	(12)	—	(3)	—	—	(15)
Allocation of MPC's net investment at acquisition	—	—	669	—	(337)	—	(332)	—
Distributions to unitholders and general partner	(248)	—	(57)	—	(86)	—	—	(391)
Distributions to noncontrolling interest	—	—	—	—	—	(1)	—	(1)
Contributions from noncontrolling interest	—	—	—	—	—	2	—	2
Equity-based compensation	5	—	—	—	—	—	—	5
Deferred income tax impact from changes in equity	2	—	—	—	(2)	—	—	—
Balance at June 30, 2016	$7,658	$ 266	$1,049	$ —	$ 485	$ 15	$ —	$9,473

(1) Financial information has been retrospectively adjusted for the acquisition of Hardin Street Marine LLC from MPC. See Notes 1 and 3.
The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)

1. Description of the Business and Basis of Presentation

Description of the Business – MPLX LP is a diversified, growth-oriented master limited partnership formed by MPC. MPLX LP and its subsidiaries (collectively, the "Partnership") are engaged in the gathering, processing and transportation of natural gas; the gathering, transportation, fractionation, storage and marketing of NGLs; and the transportation and storage of crude oil and refined petroleum products. On December 4, 2015, the Partnership completed a merger with MarkWest (the "MarkWest Merger"). See Note 3 for additional information.

The Partnership's business consists of two segments based on the nature of services it offers: Logistics and Storage ("L&S") focused on crude oil and refined petroleum products and Gathering and Processing ("G&P") focused on natural gas and NGLs. See Note 9 for additional information regarding operations.

Basis of Presentation – The Partnership's consolidated financial statements include all majority-owned and controlled subsidiaries. For non-wholly-owned consolidated subsidiaries, the interests owned by third parties, including MPC, have been recorded as Noncontrolling interest in the accompanying Consolidated Balance Sheets. Intercompany investments, accounts and transactions have been eliminated. The Partnership's investments in which the Partnership exercises significant influence but does not control and does not have a controlling financial interest are accounted for using the equity method. The Partnership's investments in a VIE in which the Partnership exercises significant influence but does not control and is not the primary beneficiary are also accounted for using the equity method. The accompanying consolidated financial statements of the Partnership have been prepared in accordance with GAAP. Reclassifications have been made in connection with the MarkWest Merger and HSM acquisition to conform to current classifications. These reclassifications had no effect on previously reported results of operations or retained earnings.

Effective March 31, 2016, the Partnership acquired MPC's inland marine business. This business is operated through HSM. HSM's related assets, liabilities and results of operations are collectively referred to as the "Predecessor." The acquisition from MPC was a transfer between entities under common control. As an entity under common control with MPC, the Partnership recorded the assets acquired from MPC on its Consolidated Balance Sheets at MPC's historical basis instead of fair value. Transfers of businesses between entities under common control require prior periods to be retrospectively adjusted to furnish comparative information. Accordingly, the accompanying consolidated financial statements and related notes of MPLX LP have been retrospectively adjusted to include the historical results of the assets acquired from MPC prior to the effective date of the acquisition. See Note 3 for additional information regarding the HSM acquisition. The accompanying financial statements and related notes present the combined financial position, results of operations, cash flows and equity of the Predecessor at historical cost. The financial statements of the Predecessor have been prepared from the separate records maintained by MPC and may not necessarily be indicative of the conditions or the results of operations that would have existed if the Predecessor had been operated as an unaffiliated entity.

Based on the terms of certain natural gas gathering, transportation and processing agreements, the Partnership is considered to be the lessor under several implicit operating lease arrangements in accordance with GAAP. The Partnership's primary implicit lease operations relate to a natural gas gathering agreement in the Marcellus shale for which it earns a fixed-fee for providing gathering services to a single producer customer using a dedicated gathering system. As the gathering system is expanded, the fixed-fee charged to the producer is adjusted to include the additional gathering assets in the lease. Other significant implicit leases relate to a natural gas processing agreement in the Marcellus shale and a natural gas processing agreement in the Southern Appalachia region for which the Partnership earns minimum monthly fees for providing processing services to a single producer using a dedicated processing plant. Revenues and costs related to the portion of the revenue earned under these contracts considered to

be implicit leases are recorded as Rental income and Rental cost of sales, respectively, on the Consolidated Statements of Income. Similarly, the Partnership is considered to be the lessor under implicit operating lease arrangements with MPC in accordance with GAAP. The Partnership's primary implicit lease operations with MPC relate to the transportation services agreement between HSM and MPC. Revenue related to this agreement is recorded as Rental income - related parties on the Consolidated Statements of Income. The rental cost of sales related to the HSM implicit lease is depreciation of the HSM assets. All other services are provided to MPC on an as-needed basis and recorded as Service revenue-related parties on the Consolidated Statements of Income.

These interim consolidated financial statements are unaudited; however, in the opinion of the Partnership's management, these statements reflect all adjustments necessary for a fair statement of the results for the periods reported. All such adjustments are of a normal, recurring nature unless otherwise disclosed. These interim consolidated financial statements, including the notes, have been prepared in accordance with the rules and regulations of the SEC applicable to interim period financial statements and do not include all of the information and disclosures required by GAAP for complete financial statements.

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These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2015, as updated by our Current Report on Form 8-K/A filed on May 20, 2016. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year.

In preparing the Consolidated Statements of Equity, net income attributable to MPLX LP is allocated to preferred unitholders based on a fixed distribution schedule, as discussed in Note 8, and subsequently allocated to the general partner and limited partner unitholders. Distributions, although earned, are not accrued for until declared. However, when distributions related to the incentive distribution rights are made, earnings equal to the amount of those distributions are first allocated to the general partner before the remaining earnings are allocated to the limited partner unitholders based on their respective ownership percentages. The allocation of net income attributable to MPLX LP for purposes of calculating net income per limited partner unit is described in Note 6.

2. Accounting Standards

Recently Adopted

In September 2015, the FASB issued an accounting standard update that eliminates the requirement to restate prior period financial statements for measurement period adjustments related to business combinations. This accounting standard update requires that the cumulative impact of a measurement period adjustment be recognized in the reporting period in which the adjustment is identified. The change was effective for interim and annual periods beginning after December 15, 2015. The Partnership recognized measurement period adjustments during the first and second quarters of 2016 on a cumulative prospective basis as additional analysis was completed on the preliminary purchase price allocation for the acquisition of MarkWest. See Notes 3 and 16 for further discussion and detail related to these measurement period adjustments.

In April 2015, the FASB issued an accounting standard update requiring that the earnings of transferred net assets prior to the dropdown date of the net assets to a master limited partnership be allocated entirely to the general partner when calculating earnings per unit under the two class method. Under this guidance, previously reported earnings per unit of the limited partners will not change as a result of a dropdown transaction. The change was effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required. The Partnership adopted this accounting standard update in the first quarter of 2016 and it did not have a material impact on the consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued an accounting standard update clarifying whether a customer should account for a cloud computing arrangement as an acquisition of a software license or as a service arrangement by providing characteristics that a cloud computing arrangement must have in order to be accounted for as a software license acquisition. The change was effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Retrospective or prospective application is allowed. The Partnership adopted this accounting standard update prospectively in the first quarter of 2016 and it did not have a material impact on the consolidated results of operations, financial position or cash flows.

In February 2015, the FASB issued an accounting standard update making targeted changes to the current consolidation guidance. The accounting standard update changes the considerations related to substantive rights, related parties, and decision making fees when applying the VIE consolidation model and eliminates certain guidance for limited partnerships and similar entities under the voting interest consolidation model. The change was effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The Partnership adopted this accounting standard update in the first quarter of 2016 and it did not have a material impact on the

consolidated results of operations, financial position or cash flows.

Not Yet Adopted

In June 2016, the FASB issued an accounting standard update related to the accounting for credit losses on certain financial instruments. The guidance requires that for most financial assets, losses are based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. The change is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Partnership does not expect application of this accounting standard update to have a material impact on the consolidated financial statements.

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In March 2016, the FASB issued an accounting standard update on the accounting for employee share-based payments. This accounting standard update requires the recognition of income tax effects of awards through the income statement when awards vest or are settled. It will also increase the amount an employer can withhold for tax purposes without triggering liability accounting. Lastly, it allows employers to make a policy election to account for forfeitures as they occur. The changes are effective for fiscal years beginning after December 15, 2016 and early adoption is permitted. The Partnership is in the process of determining the impact of the new standard on the consolidated financial statements.

In February 2016, the FASB issued an accounting standard update on lease accounting. This accounting standard update requires lessees to record virtually all leases on their balance sheets. The accounting standard update also requires expanded disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The change will be effective on a retrospective or modified retrospective basis for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Partnership is in the process of determining the impact of the accounting standard update on the consolidated financial statements and expects such impact to be material.

In January 2016, the FASB issued an accounting standard update requiring unconsolidated equity investments, not accounted for under the equity method, to be measured at fair value with changes in fair value recognized in net income. The accounting standard update also requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes and the separate presentation of financial assets and liabilities by measurement category and form on the balance sheet and accompanying notes. The accounting standard update eliminates the requirement to disclose the methods and assumptions used in estimating the fair value of financial instruments measured at amortized cost. Lastly, the accounting standard update requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when electing to measure the liability at fair value in accordance with the fair value option for financial instruments. The changes are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. Upon adoption, entities will be required to make a cumulative-effect adjustment to the consolidated results of operations as of the beginning of the first reporting period the guidance is effective. Early adoption is permitted only for guidance regarding presentation of the liability's credit risk. The Partnership is in the process of determining the impact of the accounting standard update on the consolidated financial statements.

In August 2014, the FASB issued an accounting standard update requiring management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Management is required to assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance of the financial statements. Disclosures will be required if conditions give rise to substantial doubt and the type of disclosure will be determined based on whether management's plans will be able to alleviate the substantial doubt. The change will be effective for the first fiscal period ending after December 15, 2016, and for fiscal periods and interim periods thereafter with early application permitted. The adoption of this accounting standard update is not expected to have a material impact on the Partnership's financial reporting.

In May 2014, the FASB issued an initial accounting standard update for revenue recognition for contracts with customers. The guidance in the accounting standard update states that revenue is recognized when a customer obtains control of a good or service. Recognition of the revenue will involve a multiple step approach including identifying the contract, identifying the separate performance obligations, determining the transaction price, allocating the price to the performance obligations and then recognizing the revenue as the obligations are satisfied. Additional disclosures will be required to provide adequate information to understand the nature, amount, timing and uncertainty of reported revenues and revenues expected to be recognized. The change will be effective on a retrospective or modified retrospective basis for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted no earlier than January 1, 2017. The Partnership is in the process of determining the impact

of the accounting standard update on the consolidated financial statements.

3. Acquisitions

Acquisition of Hardin Street Marine LLC

On March 14, 2016, the Partnership entered into a Membership Interests Contribution Agreement (the “Contribution Agreement”) with MPLX GP LLC (“MPLX GP”), MPLX Logistics Holdings LLC and MPC Investment LLC (“MPC Investment”), each a wholly-owned subsidiary of MPC, related to the acquisition of HSM, MPC’s inland marine business, from MPC. Pursuant to the Contribution Agreement, the transaction was valued at $600 million consisting of a fixed number of common units and general partner units of 22,534,002 and 459,878, respectively. The general partner units maintain MPC’s two percent general partner interest in the Partnership. The acquisition closed on March 31, 2016 and the fair value of the common

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units and general partner units issued was $669 million and $14 million, respectively, as recorded on the Consolidated Statements of Equity. MPC agreed to waive distributions in the first quarter of 2016 on MPLX common units issued in connection with this transaction. MPC did not receive general partner distributions or incentive distribution rights that would have otherwise accrued on such MPLX common units with respect to the first quarter distributions. The value of these waived distributions was $15 million.

The inland marine business, comprised of 18 tow boats and 205 barges which transport light products, heavy oils, crude oil, renewable fuels, chemicals and feedstocks in the Midwest and U.S. Gulf Coast regions, accounted for nearly 60 percent of the total volumes MPC shipped by inland marine vessels as of March 31, 2016. The Partnership accounts for HSM as a reporting unit of the L&S segment.

The Partnership retrospectively adjusted the historical financial results for all periods to include HSM as required for transactions between entities under common control. For the previously reported Consolidated Balance Sheets retrospectively adjusted for the acquisition of HSM, see the Annual Report on Form 10-K for the year ended December 31, 2015, as updated by our Current Report on Form 8-K/A filed on May 20, 2016. The following table presents the Partnership's previously reported Consolidated Statement of Income, retrospectively adjusted for the acquisition of HSM:

	Three Months Ended June 30, 2015		
(In millions)	MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Revenues and other income:			
Service revenue	$ 16	$ —	$ 16
Service revenue - related parties	119	33	152
Rental income - related parties	4	21	25
Other income	2	—	2
Other income - related parties	6	12	18
Total revenues and other income	147	66	213
Costs and expenses:			
Cost of revenues (excludes items below)	31	15	46
Purchases - related parties	24	16	40
Depreciation and amortization	13	7	20
General and administrative expenses	18	3	21
Other taxes	3	1	4
Total costs and expenses	89	42	131
Income from operations	58	24	82
Interest expense (net of amounts capitalized of $1 million)	6	—	6
Other financial costs	—	—	—
Income before income taxes	52	24	76
Net income	52	24	76
Less: Net income attributable to noncontrolling interests	1	—	1
Less: Net income attributable to Predecessor	—	24	24
Net income attributable to MPLX LP	51	—	51
Less: General partner's interest in net income attributable to MPLX LP	7	—	7
Limited partners' interest in net income attributable to MPLX LP	$ 44	$ —	$ 44

(In millions)	Six Months Ended June 30, 2015 MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Revenues and other income:			
Service revenue	$ 32	$ —	$ 32
Service revenue - related parties	230	64	294
Rental income - related parties	8	42	50
Other income	3	—	3
Other income - related parties	12	23	35
Total revenues and other income	285	129	414
Costs and expenses:			
Cost of revenues (excludes items below)	59	29	88
Purchases - related parties	48	32	80
Depreciation and amortization	25	14	39
General and administrative expenses	37	6	43
Other taxes	6	2	8
Total costs and expenses	175	83	258
Income from operations	110	46	156
Interest expense (net of amounts capitalized of $1 million)	11	—	11
Other financial costs	1	—	1
Income before income taxes	98	46	144
Net income	98	46	144
Less: Net income attributable to noncontrolling interests	1	—	1
Less: Net income attributable to Predecessor	—	46	46
Net income attributable to MPLX LP	97	—	97
Less: General partner’s interest in net income attributable to MPLX LP	11	—	11
Limited partners’ interest in net income attributable to MPLX LP	$ 86	$ —	$ 86

The following table presents the Partnership's previously reported Consolidated Statement of Cash Flows, retrospectively adjusted for the acquisition of HSM:

(In millions)	Six Months Ended June 30, 2015		
	MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income	$98	$46	$ 144
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred financing costs	1	—	1
Depreciation and amortization	25	14	39
Deferred income taxes	—	(1)	(1)
Changes in:			
Current receivables	(2)	—	(2)
Current accounts payable and accrued liabilities	14	(2)	12
Receivables from / liabilities to related parties	(8)	(11)	(19)
All other, net	—	(1)	(1)
Net cash provided by operating activities	128	45	173
Investing activities:			
Additions to property, plant and equipment	(64)	(6)	(70)
Investments - loans to related parties	—	(38)	(38)
All other, net	—	(1)	(1)
Net cash used in investing activities	(64)	(45)	(109)
Financing activities:			
Long-term debt - borrowings	528	—	528
- repayments	(415)	—	(415)
Debt issuance costs	(4)	—	(4)
Net proceeds from equity offerings	1	—	1
Distributions to unitholders and general partner	(70)	—	(70)
Distributions to MPC from Predecessor	(1)	—	(1)
Net cash provided by financing activities	39	—	39
Net increase in cash and cash equivalents	103	—	103
Cash and cash equivalents at beginning of period	27	—	27
Cash and cash equivalents at end of period	$130	$—	$ 130

Purchase of MarkWest Energy Partners, L.P.

On December 4, 2015, a wholly-owned subsidiary of the Partnership merged with MarkWest. Each common unit of MarkWest issued and outstanding immediately prior to the effective time of the MarkWest Merger was converted into a right to receive 1.09 common units representing limited partner interests in MPLX LP, plus a one-time cash payment of $6.20 per unit. Each Class B unit of MarkWest issued and outstanding immediately prior to the effective time of the MarkWest Merger was converted into the right to receive one Class B unit of MPLX LP. Each Class B unit of MPLX LP will convert into 1.09 common units of MPLX LP and the right to receive $6.20 in cash, and the conversion of the Class B units will occur in equal installments, the first of which occurred on July 1, 2016 and the second of which will occur on July 1, 2017. MPC contributed approximately $1.3 billion of cash to the Partnership to pay the aggregate cash consideration to MarkWest unitholders, without receiving any new equity in exchange. At closing, MPC made a payment of $1.2 billion to MarkWest common unitholders and the remaining $50 million is payable in equal amounts,

the first of which was paid in July 2016 and the second of which will be paid in July 2017, in connection with the conversion of the Class B units to common units of MPLX LP. The Partnership's financial results reflect the results of MarkWest from the date of the acquisition.

The components of the fair value of consideration transferred are as follows:

(In millions)	
Fair value of units issued	$7,326
Cash	1,230
Paid/payable to MarkWest Class B unitholders	50
Total fair value of consideration transferred	$8,606

The following table summarizes the final purchase price allocation. Subsequent to December 31, 2015, additional analysis was completed and adjustments were made to the preliminary purchase price allocation as noted in the table below. The fair value of assets acquired and liabilities and noncontrolling interests assumed at the acquisition date as of June 30, 2016, are as follows:

(In millions)	As Originally Reported	Adjustments	As Adjusted
Cash and cash equivalents	$ 12	$ —	$ 12
Receivables	164	—	164
Inventories	33	(1)	32
Other current assets	44	—	44
Equity method investments	2,457	143	2,600
Property, plant and equipment	8,474	43	8,517
Intangibles	468	65	533
Other noncurrent assets	5	—	5
Total assets acquired	11,657	250	11,907
Accounts payable	322	—	322
Accrued liabilities	13	6	19
Accrued taxes	21	—	21
Other current liabilities	44	—	44
Long-term debt	4,567	—	4,567
Deferred income taxes	374	3	377
Deferred credits and other liabilities	151	—	151
Noncontrolling interest	13	—	13
Total liabilities and noncontrolling interest assumed	5,505	9	5,514
Net assets acquired excluding goodwill	6,152	241	6,393
Goodwill	2,454	(241)	2,213
Net assets acquired	$ 8,606	$ —	$ 8,606

Adjustments to the preliminary purchase price stem mainly from additional information obtained by management in the first and second quarters of 2016 about facts and circumstances that existed at the acquisition date, including updates to forecasted employee benefit costs, maintenance capital expenditures and completion of certain valuations to determine the underlying fair value of certain acquired assets. The adjustment to intangibles mainly relates to a misstatement in the original preliminary purchase price allocation. The correction of the error resulted in a $68 million reduction to the carrying value of goodwill and an offsetting increase of $64 million in intangibles and $2 million in each of equity method investments and property, plant and equipment. Management concluded that the correction of the error is immaterial to the consolidated financial statements of all periods presented. As further discussed in Note 16, in the first quarter of 2016 the Partnership recorded a goodwill impairment charge based on the implied fair value of goodwill as of the interim impairment analysis date. During the second quarter of 2016, the Partnership finalized its analysis of the final purchase price allocation. The completion of the purchase price allocation resulted in a refinement of the impairment expense recorded, as more fully discussed in Note 16.

The increase to the fair value of intangibles and property, plant and equipment noted above resulted in additional amortization and depreciation expense of approximately $1 million recognized for the six months ended June 30, 2016, in Depreciation and amortization in the Consolidated Statements of Income, that would have been recorded for the year ended December 31, 2015,

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had the fair value adjustments been recorded as of December 4, 2015. The increase in the fair value of equity investments above would not have had a material effect on the income from equity method investments had the fair value adjustment been recorded as of December 4, 2015.

The purchase price allocation resulted in the recognition of $2.2 billion of goodwill in three reporting units within the Partnership's G&P segment, substantially all of which is not deductible for tax purposes. Goodwill represents the complementary aspects of the highly diverse asset base of MarkWest and MPLX LP that will provide significant additional opportunities across multiple segments of the hydrocarbon value chain.

The fair value of the common units issued was determined on the basis of the closing market price of the Partnership's units as of the effective time of the transaction and is considered a Level 1 measurement. The fair value of the Class B units issued was determined based on reference to the value of the common units, adjusted for a lack of distributions prior to their stated conversion dates, and is considered a Level 2 measurement. The fair values of the long-term debt and SMR liabilities were determined as of the acquisition date using the methods discussed in Note 13.

The fair value of the equity method investments was determined based on applying the discounted cash flow method, which is an income approach, to the Partnership's equity method investments on an individual basis. Key assumptions include discount rates of 9.4 percent to 11.1 percent and terminal values based on the Gordon growth method to capitalize the cash flows, using a 2.5 percent long-term growth rate. Intangibles represent customer contracts and related relationships. The fair value of the intangibles was determined based on applying the multi-period excess earnings method, which is an income approach. Key assumptions include attrition rates by reporting unit ranging from 5.0 percent to 10.0 percent and discount rates by reporting unit ranging from 11.5 percent to 12.8 percent. The fair value of property, plant and equipment was determined primarily based on the cost approach. Key assumptions include inputs to the valuation methodology such as recent purchases of similar items and published data for similar items. Components were adjusted for economic and functional obsolescence, location, normal useful lives and capacity (if applicable). The fair value measurements for equity method investments, intangibles, and property, plant and equipment are based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements.

The amounts of revenue and income from operations associated with MarkWest are not included in the Consolidated Statement of Income for the period ended June 30, 2015.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents consolidated results assuming the MarkWest Merger occurred on January 1, 2014.

(In millions, except per unit data)	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues and other income	$ 668	$ 1,332
Net (loss) income attributable to MPLX LP	(11)	53
Net income attributable to MPLX LP per unit - basic	(0.19)	(0.10)
Net income attributable to MPLX LP per unit - diluted	(0.19)	(0.10)

The unaudited pro forma financial information includes adjustments primarily to align accounting policies, adjust depreciation expense to reflect the fair value of property, plant and equipment, increase amortization expense related to identifiable intangible assets and adjust interest expense related to the fair value of MarkWest's long-term debt, as well as the related income tax effects. The pro forma financial information does not give effect to potential synergies

that could result from the acquisition and is not necessarily indicative of the results of future operations.

MarkWest has a 60 percent legal ownership interest in MarkWest Utica EMG. MarkWest Utica EMG's inability to fund its planned activities without subordinated financial support qualify it as a VIE. The financing structure for MarkWest Utica EMG at its inception resulted in a de-facto agent relationship under which MarkWest was deemed to be the primary beneficiary of MarkWest Utica EMG. Therefore, MarkWest consolidated MarkWest Utica EMG in its historical financial statements. In the fourth quarter of 2015, based on economic conditions and other pertinent factors, the accounting for its investment in MarkWest Utica EMG was re-assessed. As of December 4, 2015, the entity has been deconsolidated. For purposes of this pro forma financial information, MarkWest Utica EMG has been consolidated for the period prior to the acquisition consistent with its treatment in the historical periods presented.

A summary of the amounts included in the historical financial statements of MarkWest related to MarkWest Utica EMG are as follows:

(In millions)	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues and other income	$ 34	$ 67
Cost of revenue excluding depreciation and amortization	7	14
Depreciation and amortization	16	32
Net income attributable to noncontrolling interest	15	29
Net loss	(5)	(9)

EMG Utica, LLC ("EMG Utica"), a joint venture partner in MarkWest Utica EMG, received a special non-cash allocation of income of approximately $11 million and $21 million for the three and six months ended June 30, 2015. See Note 4 for a description of the transaction and its impact on the financial statements. Net income of MarkWest would not have changed had MarkWest Utica EMG been deconsolidated for the period ended June 30, 2015.

4. Equity Method Investments

MarkWest Utica EMG

Effective January 1, 2012, MarkWest Utica Operating Company, LLC ("Utica Operating"), a wholly-owned and consolidated subsidiary of MarkWest, and EMG Utica (together the "Members") executed agreements to form a joint venture, MarkWest Utica EMG, to develop significant natural gas gathering, processing and NGL fractionation, transportation and marketing infrastructure in eastern Ohio. The related limited liability company agreement has been amended from time to time (the limited liability company agreement as currently in effect is referred to as the "Amended LLC Agreement"). The aggregate funding commitment of EMG Utica was $950 million (the "Minimum EMG Investment"). Thereafter, Utica Operating was required to fund, as needed, 100 percent of future capital for MarkWest Utica EMG until such time as the aggregate capital that had been contributed by the Members reached $2 billion, which occurred prior to the MarkWest Merger. Until such time as the investment balances of Utica Operating and EMG Utica are in the ratio of 70 percent and 30 percent, respectively (such time being referred to as the "Second Equalization Date"), EMG Utica will have the right, but not the obligation, to fund up to 10 percent of each capital call for MarkWest Utica EMG, and Utica Operating will be required to fund all remaining capital not elected to be funded by EMG Utica. After the Second Equalization Date, Utica Operating and EMG Utica will have the right, but not the obligation, to fund their pro rata portion (based on their respective investment balances) of any additional required capital and may also fund additional capital that the other party elects not to fund. As of June 30, 2016, EMG Utica has contributed approximately $998 million and Utica Operating has contributed approximately $1.5 billion to MarkWest Utica EMG.

Under the Amended LLC Agreement, after EMG Utica has contributed more than $500 million to MarkWest Utica EMG and prior to December 31, 2016, EMG Utica's investment balance will also be increased by a quarterly special non-cash allocation of income ("Preference Amount") that is based upon the amount of capital contributed by EMG Utica in excess of $500 million. No Preference Amount will accrue to EMG Utica's investment balance after December 31, 2016. EMG Utica received a special non-cash allocation of income of approximately $4 million and approximately $8 million for the three and six months ended June 30, 2016, respectively.

Under the Amended LLC Agreement, Utica Operating will continue to receive 60 percent of cash generated by MarkWest Utica EMG that is available for distribution until the earlier of December 31, 2016 and the date on which

Utica Operating’s investment balance equals 60 percent of the aggregate investment balances of the Members. After the earlier of those dates, cash generated by MarkWest Utica EMG that is available for distribution will be allocated to the Members in proportion to their respective investment balances. As of June 30, 2016, Utica Operating’s investment balance in MarkWest Utica EMG was approximately 56 percent.

MarkWest Utica EMG is deemed to be a VIE. As of the date of the MarkWest Merger, Utica Operating is not deemed to be the primary beneficiary due to EMG Utica’s voting rights on significant matters. The Partnership’s portion of MarkWest Utica EMG’s net assets, which was $2.3 billion at June 30, 2016, is reported under the caption Equity method investments on the Consolidated Balance Sheets (see basis differential discussion below). The Partnership’s maximum exposure to loss as a result of its involvement with MarkWest Utica EMG includes its equity investment, any additional capital contribution commitments

and any operating expenses incurred by the subsidiary operator in excess of its compensation received for the performance of the operating services. The Partnership did not provide any financial support to MarkWest Utica EMG that it was not contractually obligated to provide during the period ended June 30, 2016. The Partnership receives management fee revenue for engineering and construction, administrative and personnel services ("Operational Service revenue") for operating MarkWest Utica EMG. The amount of Operational Service revenue related to MarkWest Utica EMG for the three and six months ended June 30, 2016 was $5 million and $7 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

Ohio Gathering

Ohio Gathering is a subsidiary of MarkWest Utica EMG and is engaged in providing natural gas gathering services in the Utica Shale in eastern Ohio. Ohio Gathering is a joint venture between MarkWest Utica EMG and Summit Midstream Partners, LLC ("Summit"). As Ohio Gathering is a subsidiary of MarkWest Utica EMG, which is accounted for as an equity method investment, the Partnership reports its portion of Ohio Gathering's net assets as a component of its investment in MarkWest Utica EMG. The Partnership receives Operational Service revenue for operating Ohio Gathering. The amount of Operational Service revenue related to Ohio Gathering for the three and six months ended June 30, 2016 was approximately $3 million and $7 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

Ohio Condensate

In December 2013, MarkWest formed MarkWest Utica EMG Condensate L.L.C. ("Utica Condensate") for the purpose of engaging in wellhead condensate gathering, stabilization, terminalling, storage and marketing in Ohio. As of June 30, 2016, the Partnership owned 100 percent of Utica Condensate. Utica Condensate's business is conducted solely through its subsidiary, Ohio Condensate, which is a joint venture between Utica Condensate and Summit. As of June 30, 2016, Utica Condensate owned 60 percent of Ohio Condensate. The Partnership accounts for Ohio Condensate, which is a VIE, as an equity method investment as MPLX LP exercises significant influence, but does not control Ohio Condensate and is not its primary beneficiary due to Summit's voting rights on significant matters. The Partnership's portion of Ohio Condensate's net assets are reported under the caption Equity method investments on the Consolidated Balance Sheets. The Partnership receives Operational Service revenue for operating Ohio Condensate. The amount of Operational Service revenue related to Ohio Condensate for the three and six months ended June 30, 2016 was $1 million and $2 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

Summarized financial information for the six months ended June 30, 2016 for equity method investments is as follows:

	Six Months Ended June 30, 2016				
(In millions)	MarkWest Utica EMG [1]	Ohio Condensate	Other VIEs	Non-VIEs	Total
Revenue	$113	$ 10	$ —	$ 68	$191
Gross margin	113	10	—	32	155
Income (loss) from operations	68	(94)	—	18	(8)
Net income (loss)	68	(94)	—	18	(8)
Income (loss) from equity method investments[2]	7	(88)	—	3	(78)

Summarized balance sheet information as of June 30, 2016 and December 31, 2015 for equity method investments is as follows:

June 30, 2016

(In millions)	MarkWest Utica EMG (1)	Ohio Condensate	Other VIEs	Non-VIEs	Total
Current assets	$ 138	$ 7	$ —	$ 38	$ 183
Noncurrent assets	2,193	31	55	385	2,664
Current liabilities	108	6	—	26	140
Noncurrent liabilities	2	14	—	—	16

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(In millions)	December 31, 2015 MarkWest Utica EMG (1)	Ohio Condensate	Other VIEs	Non-VIEs	Total
Current assets	$ 113	$ 7	$ —	$ 30	$ 150
Noncurrent assets	2,207	127	42	243	2,619
Current liabilities	77	6	1	18	102
Noncurrent liabilities	1	12	—	—	13

(1) MarkWest Utica EMG's noncurrent assets includes its investment in its subsidiary Ohio Gathering, which does not appear elsewhere in this table. The investment was $788 million and $781 million as of June 30, 2016 and December 31, 2015, respectively.

(2) Income (loss) from equity method investments includes the impact of any basis differential amortization or accretion.

As of June 30, 2016, the carrying value of the Partnership's equity method investments was $1.1 billion higher than the underlying net assets of the investees. This basis difference is being amortized or accreted into net income over the remaining estimated useful lives of the underlying net assets, except for $459 million of excess related to goodwill. During the second quarter of 2016, the Partnership completed its purchase price allocation related to the MarkWest Merger. As a result, a portion of the basis differential related to goodwill for Utica EMG was reclassified to fixed assets and will be amortized prospectively.

During the second quarter of 2016, forecasts for Ohio Condensate were reduced to align with updated forecasts for customer requirements. As the operator of that entity responsible for maintaining its financial records, the Partnership completed a fixed asset impairment analysis as of June 30, 2016, in accordance with ASC Topic 360, to determine the potential fixed asset impairment charge. The resulting fixed asset impairment charge recorded within Ohio Condensate's financial statements was $96 million. Based on the Partnership's 60 percent ownership of Ohio Condensate, approximately $58 million was recorded in the second quarter of 2016 in Loss from equity method investments on the accompanying Consolidated Statements of Income.

The Partnership's investment in Ohio Condensate, which was established at fair value in connection with the MarkWest Merger, exceeded its proportionate share of the underlying net assets. Therefore, in conjunction with the ASC Topic 360 impairment analysis, the Partnership completed an equity method impairment analysis in accordance with ASC Topic 323 to determine the potential additional equity method impairment charge to be recorded on the Partnership's consolidated financial statements resulting from an other-than-temporary impairment. As a result, an additional impairment charge of approximately $31 million was recorded in the second quarter of 2016 in Loss from equity method investments on the accompanying Consolidated Statements of Income, which eliminated the basis differential established in connection with the MarkWest Merger.

The fair value of Ohio Condensate and its underlying fixed assets was determined based upon applying the discounted cash flow method, which is an income approach, and the guideline public company method, which is a market approach. The discounted cash flow fair value estimate is based on known or knowable information at the interim measurement date. The significant assumptions that were used to develop the estimate of the fair value under the discounted cash flow method include management's best estimates of the expected future results using a probability weighted average set of cash flow forecasts and a discount rate of 11.2 percent. An increase to the discount rate of 50 basis points would have resulted in an additional charge of $1 million on the Consolidated Statements of Income. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As such, the fair value of the Ohio Condensate equity method investment and its underlying fixed assets

represents a Level 3 measurement. As a result, there can be no assurance that the estimates and assumptions made for purposes of the interim impairment test will prove to be an accurate prediction of the future.

5. Related Party Agreements and Transactions

The Partnership’s material related parties include:

- MPC, which refines, markets and transports crude oil and petroleum products, primarily in the Midwest, Gulf Coast, East Coast and Southeast regions of the United States.
- Centennial Pipeline LLC (“Centennial”), in which MPC has a 50 percent interest. Centennial owns a products pipeline and storage facility.

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- Muskegon Pipeline LLC ("Muskegon"), in which MPC has a 60 percent interest. Muskegon owns a common carrier products pipeline.
- MarkWest Utica EMG, in which MPLX LP has a 60 percent interest. MarkWest Utica EMG is engaged in significant natural gas processing and NGL fractionation, transportation and marketing in eastern Ohio.
- Ohio Gathering, in which MPLX LP has a 36 percent indirect interest. Ohio Gathering is a subsidiary of MarkWest Utica EMG providing natural gas gathering service in the Utica Shale region of eastern Ohio.
- Jefferson Dry Gas, in which MPLX LP has a 67 percent interest. Jefferson Dry Gas is engaged in dry natural gas gathering in Jefferson County, Ohio.
- Ohio Condensate, in which MPLX LP has a 60 percent interest. Ohio Condensate is engaged in wellhead condensate gathering, stabilization, terminalling, transportation and storage within certain defined areas of Ohio.

Related Party Agreements

The Partnership has various long-term, fee-based commercial agreements with MPC. Under these agreements, the Partnership provides pipeline transportation and storage services to MPC, and MPC has committed to provide the Partnership with minimum quarterly throughput and storage volumes of crude oil and refined products and minimum storage volumes of butane.

In addition, the Partnership is party to a loan agreement with MPC Investment, a wholly-owned subsidiary of MPC. Under the terms of the agreement, MPC Investment will make a loan or loans to the Partnership on a revolving basis as requested by the Partnership and as agreed to by MPC Investment, in an amount or amounts that do not result in the aggregate principal amount of all loans outstanding exceeding $500 million at any one time. The entire unpaid principal amount of the loan, together with all accrued and unpaid interest and other amounts (if any), shall become due and payable on December 4, 2020. MPC Investment may demand payment of all or any portion of the outstanding principal amount of the loan, together with all accrued and unpaid interest and other amounts (if any), at any time prior to December 4, 2020. Borrowings under the loan will bear interest at LIBOR plus 1.50 percent. During the six months ended June 30, 2016, the Partnership borrowed $1.9 billion and repaid $1.9 billion, resulting in no outstanding balance at June 30, 2016. Borrowings were at an average interest rate of 1.93 percent, per annum. For additional information regarding the Partnership's commercial and other agreements with MPC, see Item 1. Business in our Annual Report on Form 10-K for the year ended December 31, 2015.

The Partnership believes the terms and conditions under its agreements with MPC are generally comparable to those with unrelated parties.

HSM Agreements

As discussed in Note 3, the Partnership acquired HSM on March 31, 2016. HSM has various operating, management services and employee services agreements with MPC, which are discussed below.

On January 1, 2015, HSM entered into a long-term, fee-based transportation services agreement with MPC with an initial term of six years and automatically renews for two additional renewal terms of five years each unless either party provides the other party with written notice of its intent to terminate at least 12 months prior to the end of the then-current term. Under the agreement, HSM provides marine transportation of crude oil, feedstocks and refined petroleum products, as well as related services. Under the agreement MPC pays HSM monthly for the following: the specified day rate for equipment and charges for services related to transportation, tankerman services and cleaning and repair charges. Fleeting services are billed monthly.

HSM entered into a management services agreement with MPC on January 1, 2015 with an initial term of six years and automatically renews for two additional renewal terms of five years each unless either party provides the other

party with written notice of its intent to terminate at least 12 months prior to the end of the then-current term. Under this agreement, HSM provides management services to assist MPC in the oversight and management of the MPC marine business. HSM receives a fixed annual fee in monthly installments for providing the required management services. This fee is adjusted annually on the anniversary of the contract for inflation and any changes in the scope of the management services provided.

On January 1, 2015, HSM employees were transferred to Marathon Petroleum Logistics Services LLC ("MPLS"), a wholly-owned subsidiary of MPC, and HSM and MPLS entered into an employee services agreement. Under the agreement, HSM reimburses MPLS for employee benefit expenses along with certain operational and management services provided in support of HSM's areas of operation. The employee services agreement has an initial term of six years and automatically renews for two additional renewal terms of five years each unless either party provides the other party with written notice of its intent to terminate at least 12 months prior to the end of the then-current term.

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Related Party Transactions

Sales to related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Service revenues				
MPC	$145	$152	$295	$294
Rental income				
MPC	$29	$25	$55	$50
Product sales[(1)]				
MPC	$3	$—	$6	$—

(1) For the three and six months ended June 30, 2016, there were $7 million and $12 million, respectively, of additional product sales to MPC that net to zero within our consolidated financial statements, as the transactions are recorded net due to the terms of the agreements under which such product was sold.

Related party sales to MPC consist of crude oil and refined products pipeline transportation services based on regulated tariff rates, storage services based on contracted rates and transportation services provided by HSM. Under the Partnership's pipeline transportation services agreements, if MPC fails to transport its minimum throughput volumes during any quarter, then MPC will pay the Partnership a deficiency payment equal to the volume of the deficiency multiplied by the tariff rate then in effect. The deficiency amounts are recorded as Deferred revenue-related parties. MPC may then apply the amount of any such deficiency payments as a credit for volumes transported on the applicable pipeline system in excess of its minimum volume commitment during the following four or eight quarters under the terms of the applicable transportation services agreement. The Partnership recognizes revenues for the deficiency payments when credits are used for volumes transported in excess of minimum quarterly volume commitments, when it becomes impossible to physically transport volumes necessary to utilize the credits or upon the expiration of the credits. The use or expiration of the credits is a decrease in Deferred revenue-related parties.

The revenue received from related parties, included in Other income-related parties on the Consolidated Statements of Income, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
MPC	$16	$ 18	$33	$ 34
MarkWest Utica EMG	5	—	7	—
Ohio Gathering	3	—	7	—
Ohio Condensate	1	—	2	—
Other	3	—	3	1
Total	$28	$ 18	$52	$ 35

MPC provides executive management services and certain general and administrative services to the Partnership under the terms of an omnibus agreement. Expenses incurred under this agreement are shown in the table below by the income statement line where they were recorded. Charges for services included in Purchases-related parties primarily relate to services that support the Partnership's operations and maintenance activities, as well as

compensation expenses. Charges for services included in General and administrative expenses primarily relate to services that support the Partnership's executive management, accounting and human resources activities. These charges were as follows:

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Purchases - related parties	$5	$ 7	$11	$ 14
General and administrative expenses	7	11	15	22
Total	$12	$ 18	$26	$ 36

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Also under terms of the omnibus agreement, some service costs related to engineering services are associated with assets under construction. These costs added to Property, plant and equipment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
MPC	$ 9	$ 4	$ 18	$ 6

MPLX LP obtains employee services from MPC under employee services agreements. Expenses incurred under these agreements are shown in the table below by the income statement line where they were recorded. The costs of personnel directly involved in or supporting operations and maintenance activities are classified as Purchases-related parties. The costs of personnel involved in executive management, accounting and human resources activities are classified as General and administrative expenses.

Employee services expenses from related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Purchases - related parties	$ 73	$ 33	$ 143	$ 66
General and administrative expenses	19	8	40	15
Total	$ 92	$ 41	$ 183	$ 81

Receivables from related parties were as follows:

(In millions)	June 30, 2016	December 31, 2015
MPC	$ 104	$ 175
MarkWest Utica EMG	5	4
Ohio Gathering	3	5
Other	1	3
Total	$ 113	$ 187

Long-term receivables with related parties, which include reimbursements from the MarkWest Merger to be provided by MPC for the conversion of Class B units and straight-line rental income, were as follows:

(In millions)	June 30, 2016	December 31, 2015
MPC	$ 26	$ 25

Payables to related parties were as follows:

(In millions)	June 30, 2016	December 31, 2015
MPC	$ 51	$ 33
MarkWest Utica EMG	14	21
Total	$ 65	$ 54

During the six months ended June 30, 2016 and the year ended December 31, 2015, MPC did not ship its minimum committed volumes on certain pipeline systems. In addition, capital projects the Partnership is undertaking at the request of MPC are reimbursed in cash and recognized in income over the remaining term of the applicable transportation services agreements. The Deferred revenue-related parties balance associated with the minimum volume deficiencies and project reimbursements were as follows:

(In millions)	June 30, 2016	December 31, 2015
Minimum volume deficiencies - MPC	$ 43	$ 36
Project reimbursements - MPC	5	5
Total	$ 48	$ 41

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6. Net Income (Loss) Per Limited Partner Unit

Net income (loss) per unit applicable to common limited partner units and to subordinated limited partner units is computed by dividing the respective limited partners' interest in net income (loss) attributable to MPLX LP by the weighted average number of common units and subordinated units outstanding. Because the Partnership has more than one class of participating securities, it uses the two-class method when calculating the net income (loss) per unit applicable to limited partners. The classes of participating securities include common units, subordinated units, general partner units, preferred units, certain equity-based compensation awards and incentive distribution rights ("IDRs").

As discussed in Note 1, the HSM acquisition was a transfer between entities under common control. As an entity under common control with MPC, prior periods were retrospectively adjusted to furnish comparative information. Accordingly, the prior period earnings have been allocated to the general partner and do not affect the net income (loss) per unit calculation. The earnings for HSM will be included in the net income (loss) per unit calculation prospectively as described above.

As discussed further in Note 7, the subordinated units, all of which were owned by MPC, were converted into common units during the third quarter of 2015. For purposes of calculating net income (loss) per unit, the subordinated units were treated as if they converted to common units on July 1, 2015.

For the three and six months ended June 30, 2016, the Partnership had dilutive potential common units consisting of certain equity-based compensation awards and Class B units. Diluted net income (loss) per limited partner unit for the three and six months ended June 30, 2016 is the same as basic net income (loss) per limited partner unit since the inclusion of any potential common units would have been anti-dilutive. Potential common units omitted from the diluted earnings per unit calculation was approximately 10 million.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Net (loss) income attributable to MPLX LP	$19	$ 51	$(41)	$ 97
Less: Limited partners' distributions declared on preferred units [(1)]	9	—	9	—
General partner's distributions declared (including IDRs)[(1)]	50	6	94	10
Limited partners' distributions declared on common units[(1)]	172	19	328	37
Limited partner's distributions declared on subordinated units [(1)]	—	17	—	32
Undistributed net (loss) income attributable to MPLX LP	$(212)	$ 9	$(472)	$ 18

(1) See Note 7 for distribution information.

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(In millions, except per unit data)	Three Months Ended June 30, 2016			
	General Partner	Limited Partners' Common Units	Preferred Units	Total
Basic and diluted net income (loss) attributable to MPLX LP per unit:				
Net income (loss) attributable to MPLX LP:				
Distributions declared (including IDRs)	$50	$172	$ 9	$231
Undistributed net loss attributable to MPLX LP	(5)	(207)	—	(212)
Net income (loss) attributable to MPLX LP [1]	$45	$(35)	$ 9	$19
Weighted average units outstanding:				
Basic	7	331	17	355
Diluted	7	331	17	355
Net loss attributable to MPLX LP per limited partner unit:				
Basic		$(0.11)		
Diluted		$(0.11)		

(In millions, except per unit data)	Three Months Ended June 30, 2015			
	General Partner	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Basic and diluted net income attributable to MPLX LP per unit:				
Net income attributable to MPLX LP:				
Distributions declared (including IDRs)	$6	$ 19	$ 17	$ 42
Undistributed net income attributable to MPLX LP	5	2	2	9
Net income attributable to MPLX LP [1]	$11	$ 21	$ 19	$ 51
Weighted average units outstanding:				
Basic	2	43	37	82
Diluted	2	43	37	82
Net income attributable to MPLX LP per limited partner unit:				
Basic		$ 0.50	$ 0.50	
Diluted		$ 0.50	$ 0.50	

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(In millions, except per unit data)	Six Months Ended June 30, 2016			
	General Partner	Limited Partners' Common Units	Preferred Units	Total
Basic and diluted net income (loss) attributable to MPLX LP per unit:				
Net income (loss) attributable to MPLX LP:				
Distributions declared (including IDRs)	$94	$ 328	$ 9	$431
Undistributed net loss attributable to MPLX LP	(9)	(463)	—	(472)
Net income (loss) attributable to MPLX LP [1]	$85	$ (135)	$ 9	$ (41)
Weighted average units outstanding:				
Basic	7	316	8	331
Diluted	7	316	8	331
Net loss attributable to MPLX LP per limited partner unit:				
Basic		$ (0.43)		
Diluted		$ (0.43)		

(In millions, except per unit data)	Six Months Ended June 30, 2015			
	General Partner	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
Basic and diluted net income attributable to MPLX LP per unit:				
Net income attributable to MPLX LP:				
Distributions declared (including IDRs)	$10	$ 37	$ 32	$ 79
Undistributed net income attributable to MPLX LP	9	5	4	18
Net income attributable to MPLX LP [1]	$19	$ 42	$ 36	$ 97
Weighted average units outstanding:				
Basic	2	43	37	82
Diluted	2	43	37	82
Net income attributable to MPLX LP per limited partner unit:				
Basic		$ 0.96	$ 0.96	
Diluted		$ 0.96	$ 0.96	

(1) Allocation of net income (loss) attributable to MPLX LP assumes all earnings for the period had been distributed based on the current period distribution priorities.

7. Equity

Units Outstanding – The Partnership had 331,283,429 common units outstanding as of June 30, 2016. Of that number, 79,466,136 were owned by MPC, which also owned the two percent general partner interest, represented by 7,506,520 general partner units.

Following payment of the cash distribution for the second quarter of 2015, the requirements for the conversion of all subordinated units were satisfied under the partnership agreement. As a result, effective August 17, 2015, the 36,951,515 subordinated units owned by MPC were converted into common units on a one-for-one basis and thereafter participate on terms equal with all other common units in distributions of available cash. The conversion did not impact the amount of the cash distributions paid by the Partnership or the total units outstanding.

ATM Program – On March 4, 2016, the Partnership entered into an amended and restated distribution agreement providing for the continuous issuance of up to an aggregate of $500 million of common units, in amounts, at prices and on terms to be

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determined by market conditions and other factors at the time of any offerings (such continuous offering program, or at-the-market program, referred to as the “ATM Program”). The Partnership expects the net proceeds from sales under the ATM Program will be used for general partnership purposes. During the six months ended June 30, 2016, the sale of common units under the ATM Program generated net proceeds of approximately $315 million.

The changes in the number of units outstanding from December 31, 2015 through June 30, 2016 are summarized below:

(In units)	Common	Class B[(1)]	General Partner	Total
Balance at December 31, 2015	296,687,176	7,981,756	6,800,475	311,469,407
Unit-based compensation awards[(2)]	37,251	—	761	38,012
Issuance of units under the ATM Program[(3)]	12,025,000	—	245,406	12,270,406
Contribution of HSM[(4)]	22,534,002	—	459,878	22,993,880
Balance at June 30, 2016	331,283,429	7,981,756	7,506,520	346,771,705

(1) On July 1, 2016, 3,990,878 Class B units converted to 4,350,057 common units and will be eligible to receive the second quarter distribution.
(2) As a result of the unit-based compensation awards issued during the period, MPLX GP contributed less than $1 million in exchange for 761 general partner units to maintain its two percent general partner interest.
(3) As a result of common units issued under the ATM Program during the period, MPLX GP contributed $6 million in exchange for 245,406 general partner units to maintain its two percent general partner interest.
(4) See Note 3 for information regarding the HSM acquisition.

Issuance of Additional Securities – The partnership agreement authorizes the issuance of an unlimited number of additional partnership securities for the consideration and on the terms and conditions determined by the general partner without the approval of the unitholders.

Net (Loss) Income Allocation – In preparing the Consolidated Statements of Equity, net (loss) income attributable to MPLX LP is allocated to preferred unitholders based on a fixed distribution schedule, as discussed in Note 8, and subsequently allocated to remaining unitholders in accordance with their respective ownership percentages. However, when distributions related to the incentive distribution rights are made, earnings equal to the amount of those distributions are first allocated to the general partner before the remaining earnings are allocated to the unitholders based on their respective ownership percentages. The following table presents the allocation of the general partner’s interest in net income attributable to MPLX LP:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Net (loss) income attributable to MPLX LP	$19	$ 51	$(41)	$ 97
Less: Preferred unit distributions	9	—	9	—
General partner's incentive distribution rights and other	47	6	88	9
Net (loss) income attributable to MPLX LP available to general and limited partners	$(37)	$ 45	$(138)	$ 88
General partner's two percent interest in net (loss) income attributable to MPLX LP	$(1)	$ 1	$(3)	$ 2
General partner's incentive distribution rights and other	47	6	88	9
General partner's interest in net income attributable to MPLX LP	$46	$ 7	$85	$ 11

Cash distributions – The partnership agreement sets forth the calculation to be used to determine the amount and priority of cash distributions that the common and subordinated unitholders and general partner will receive. In accordance with the partnership agreement, on July 22, 2016, the Partnership declared a quarterly cash distribution of $0.5100 per unit, resulting in total distributions of $222 million. These distributions will be paid on August 12, 2016 to unitholders of record on August 2, 2016.

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The allocation of total quarterly cash distributions to preferred, general and limited partners is as follows for the three and six months ended June 30, 2016 and 2015. The Partnership's distributions are declared subsequent to quarter end; therefore, the following table represents total cash distributions applicable to the period in which the distributions were earned.

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
General partner's distributions:				
General partner's distributions	$4	$ 1	$8	$ 2
General partner's incentive distribution rights distributions	46	6	86	9
Total general partner's distributions	$50	$ 7	$94	$ 11
Limited partners' distributions:				
Common unitholders	$172	$ 19	$328	$ 37
Subordinated unitholders	—	16	—	31
Total limited partners' distributions	172	35	328	68
Preferred unit distributions	9	—	9	—
Total cash distributions declared	$231	$ 42	$431	$ 79

8. Redeemable Preferred Units

Private Placement of Preferred Units – On May 13, 2016, MPLX completed the private placement of approximately 30.8 million 6.5 percent Series A Convertible Preferred Units (the "Preferred Units") for a cash purchase price of $32.50 per unit. The aggregate net proceeds of approximately $984 million from the sale of the Preferred Units was used for capital expenditures, repayment of debt and general partnership purposes.

The Preferred Units rank senior to all common units with respect to distributions and rights upon liquidation. The holders of the Preferred Units are entitled to receive cumulative quarterly distributions equal to $0.528125 per unit commencing for the quarter ended June 30, 2016, with a prorated amount from the date of issuance. Following the second anniversary of the issuance of the Preferred Units, the holders of the Preferred Units will receive as a distribution the greater of $0.528125 per unit or the amount of per unit distributions paid to common units. Since the Preferred Unit distribution was declared subsequent to the end of the second quarter of 2016, the distribution was not accrued to the Preferred Unit holders' capital account. For the quarter ended June 30, 2016, the Preferred Units will receive an earned aggregate cash distribution of $9 million, based on the quarterly per unit distribution prorated for the 49-day period the Preferred Units were outstanding during the second quarter of 2016.

The changes in the redeemable preferred balance for 2016 were as follows:

(In millions)	Redeemable Preferred Units
Issuance of MPLX LP redeemable preferred units on May 13, 2016	$ 984
Net income allocated for May 13, 2016 through June 30, 2016	9
Balance at June 30, 2016	$ 993

The purchasers may convert their Preferred Units into common units, at any time after the third anniversary of the issuance date or prior to liquidation, dissolution or winding up of the Partnership, in full or in part, subject to minimum conversion amounts and conditions. After the fourth anniversary of the issuance date, the Partnership may convert the Preferred Units into common units at any time, in whole or in part, subject to certain minimum conversion

amounts and conditions, if the closing price of MPLX common units is greater than $48.75 for the 20 day trading period immediately preceding the conversion notice date. The conversion rate for the Preferred Units shall be the quotient of (a) the sum of (i) $32.50, plus (ii) any unpaid cash distributions on the applicable Preferred Unit, divided by (b) $32.50. The holders of the Preferred Units are entitled to vote on an as-converted basis with the common unitholders and will have certain other class voting rights with respect to any amendment to the partnership agreement that would adversely affect any rights, preferences or privileges of the Preferred Units. In addition, upon certain events involving a change in control the holders of Preferred Units may elect, among other potential elections, to convert their Preferred Units to common units at the then change of control conversion rate.

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The Preferred Units are considered redeemable securities under GAAP due to the existence of redemption provisions upon a deemed liquidation event which is outside the Partnership's control. Therefore they are presented as temporary equity in the mezzanine section of the Consolidated Balance Sheets. The Preferred Units have been recorded at their issuance date fair value, net of issuance costs. Income allocations increase the carrying value, and declared distributions decreased the carrying value of the Preferred Units. Because the Preferred Units are not currently redeemable and not probable of becoming redeemable, adjustment to the initial carrying amount is not necessary and would only be required if it becomes probable that the Preferred Units would become redeemable.

9. Segment Information

The Partnership's chief operating decision maker is the chief executive officer ("CEO") of its general partner. The CEO reviews the Partnership's discrete financial information, makes operating decisions, assesses financial performance and allocates resources on a type of service basis. The Partnership has two reportable segments: L&S and G&P. Each of these segments is organized and managed based upon the nature of the products and services it offers.

- L&S - transports and stores crude oil and refined petroleum products. Segment information for prior periods includes HSM as it is an entity under common control.
- G&P - gathers, processes and transports natural gas; gathers, transports, fractionates, stores and markets NGLs. This segment is the result of the MarkWest Merger on December 4, 2015 discussed in more detail in Note 3. Segment information for periods prior to the MarkWest Merger does not include amounts for these operations.

The Partnership has investments in entities that are accounted for using the equity method of accounting (see Note 4). However, the CEO views the Partnership operated equity method investments' financial information as if those investments were consolidated.

Segment operating income represents income from operations attributable to the reportable segments. Corporate general and administrative expenses, unrealized derivative gains (losses), property, plant and equipment impairment, goodwill impairment and depreciation and amortization are not allocated to the reportable segments. Management does not consider these items allocable to or controllable by any individual segment and, therefore, excludes these items when evaluating segment performance. Segment results are also adjusted to exclude the portion of income from operations attributable to the noncontrolling interests related to partially owned entities that are either consolidated or accounted for as equity method investments.

The tables below present information about income from operations and capital expenditures for the reported segments:

	Three Months Ended June 30, 2016		
(In millions)	L&S	G&P	Total
Revenues and other income:			
Segment revenues	$193	$530	$723
Segment other income	18	—	18
Total segment revenues and other income	211	530	741
Costs and expenses:			
Segment cost of revenues	88	223	311
Segment operating income before portion attributable to noncontrolling interest	123	307	430
Segment portion attributable to noncontrolling interest and Predecessor	—	36	36
Segment operating income attributable to MPLX LP	$123	$271	$394

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(In millions)	Three Months Ended June 30, 2015 L&S
Revenues and other income:	
Segment revenues	$ 193
Segment other income	20
Total segment revenues and other income	213
Costs and expenses:	
Segment cost of revenues	90
Segment operating income before portion attributable to noncontrolling interest and Predecessor	123
Segment portion attributable to noncontrolling interest and Predecessor	35
Segment operating income attributable to MPLX LP	$ 88

	Six Months Ended June 30, 2016		
(In millions)	L&S	G&P	Total
Revenues and other income:			
Segment revenues	$385	$1,028	$1,413
Segment other income	37	—	37
Total segment revenues and other income	422	1,028	1,450
Costs and expenses:			
Segment cost of revenues	177	423	600
Segment operating income before portion attributable to noncontrolling interest	245	605	850
Segment portion attributable to noncontrolling interest and Predecessor	34	77	111
Segment operating income attributable to MPLX LP	$211	$528	$739

(In millions)	Six Months Ended June 30, 2015 L&S
Revenues and other income:	
Segment revenues	$ 376
Segment other income	38
Total segment revenues and other income	414
Costs and expenses:	
Segment cost of revenues	176
Segment operating income before portion attributable to noncontrolling interest and Predecessor	238
Segment portion attributable to noncontrolling interest and Predecessor	68
Segment operating income attributable to MPLX LP	$ 170

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(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Reconciliation to Income from operations:				
Segment operating income attributable to MPLX LP	$394	$88	$739	$170
Segment portion attributable to unconsolidated affiliates	(83)	—	(166)	—
Segment portion attributable to noncontrolling interest and Predecessor	36	35	111	68
Loss from equity method investments	(83)	—	(78)	—
Other income - related parties	11	—	18	—
Unrealized derivative losses	(12)	—	(21)	—
Impairment expense	(1)	—	(130)	—
Depreciation and amortization	(137)	(20)	(269)	(39)
General and administrative expenses	(49)	(21)	(101)	(43)
Income from operations	$76	$82	$103	$156

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Reconciliation to Total revenues and other income:				
Total segment revenues and other income	$741	$213	$1,450	$414
Revenue adjustment from unconsolidated affiliates	(99)	—	(203)	—
Loss from equity method investments	(83)	—	(78)	—
Other income - related parties	11	—	18	—
Unrealized derivative loss	(6)	—	(14)	—
Total revenues and other income	$564	$213	$1,173	$414

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Reconciliation to Net income attributable to noncontrolling interests and Predecessor				
Segment portion attributable to noncontrolling interest and Predecessor	$36	$35	$111	$68
Portion of noncontrolling interests and Predecessor related to items below segment income from operations	(56)	(10)	(85)	(21)
Portion of operating income attributable to noncontrolling interest of unconsolidated affiliates	21	—	(2)	—
Net income attributable to noncontrolling interests and Predecessor	$1	$25	$24	$47

The following reconciles segment capital expenditures to total capital expenditures:

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
L&S segment capital expenditures	$82	$ 35	$144	$ 70

G&P segment capital expenditures[1]	212	—	485	—
Total segment capital expenditures	294	35	629	70
Less: Capital expenditures for Partnership operated, non-wholly-owned subsidiaries	16	—	60	—
Total capital expenditures	$278	$ 35	$569	$ 70

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(1) The G&P segment includes $16 million and $60 million of capital expenditures related to Partnership operated, non-wholly-owned subsidiaries for the three and six months ended June 30, 2016.

Total assets by reportable segment were:

(In millions)	June 30, 2016	December 31, 2015
L&S	$1,952	$ 1,858
G&P	14,127	14,246
Total assets	$16,079	$ 16,104

10. Income Tax

The Partnership is not a taxable entity for United States federal income tax purposes or for the majority of states that impose an income tax. Taxes on the Partnership's net income generally are borne by its partners through the allocation of taxable income. The Partnership's income tax (benefit) provision results from partnership activity in the states of Texas and Tennessee. MarkWest Hydrocarbon is a tax paying entity for both federal and state tax purposes. The Partnership's income tax activity was less than $1 million for the three and six months ended June 30, 2015.

A reconciliation of the benefit for income tax and the amount computed by applying the federal statutory rate of 35 percent to the income before income taxes for the six months ended June 30, 2016 is as follows:

(In millions)	MarkWest Hydrocarbon	Partnership	Eliminations	Consolidated[1]
Income before (benefit) provision for income tax	$ (35)	$ 4	$ 2	$ (29)
Federal statutory rate	35 %	— %	— %	
Federal income tax at statutory rate[2]	(12)	—	—	(12)
Change in state statutory rate	(1)	—	—	(1)
State income taxes net of federal benefit - MarkWest Hydrocarbon	(1)	—	—	(1)
Provision on income from Class A units[2]	—	—	—	—
Other	1	1	—	2
(Benefit) provision for income tax	$ (13)	$ 1	$ —	$ (12)

(1) Financial information has been retrospectively adjusted for the acquisition of HSM from MPC. See Notes 1 and 3. Prior to this acquisition, MPC paid all income taxes related to HSM.

(2) MarkWest Hydrocarbon pays tax on its share of the Partnership's income or loss as a result of its ownership of Class A units.

11. Inventories

Inventories consist of the following:

(In millions)	June 30, 2016	December 31, 2015
NGLs	$ 2	$ 3
Line fill	6	5
Spare parts, materials and supplies	41	43
Total inventories	$ 49	$ 51

12. Property, Plant and Equipment

Property, plant and equipment with associated accumulated depreciation was:

(In millions)	June 30, 2016	December 31, 2015
Natural gas gathering and NGL transportation pipelines and facilities	$4,573	$ 4,307
Processing, fractionation and storage facilities	3,456	3,185
Pipelines and related assets	1,186	1,128
Barges and towing vessels	478	475
Land, building, office equipment and other	662	606
Construction in progress	898	946
Total	11,253	10,647
Less accumulated depreciation	893	650
Property, plant and equipment, net	$10,360	$ 9,997

13. Fair Value Measurements

Fair Values – Recurring

Fair value measurements and disclosures relate primarily to the Partnership's derivative positions as discussed in Note 14. Money market funds, which are included in Cash and cash equivalents on the Consolidated Balance Sheets, are measured at fair value and are included in Level 1 measurements of the valuation hierarchy. Level 2 instruments include crude oil and natural gas swap contracts. Level 3 instruments include all NGL transactions and embedded derivatives in commodity contracts. The following table presents the financial instruments carried at fair value classified by the valuation hierarchy:

(In millions)	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Significant other observable inputs (Level 2)				
Commodity contracts	$—	$ —	$2	$ —
Significant unobservable inputs (Level 3)				
Commodity contracts	—	(4)	7	—
Embedded derivatives in commodity contracts	1	(41)	—	(32)
Total carrying value in Consolidated Balance Sheets	$1	$ (45)	$9	$ (32)

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The following table provides additional information about the significant unobservable inputs used in the valuation of Level 3 instruments as of June 30, 2016. The market approach is used for valuation of all instruments.

Level 3 Instrument	Balance Sheet Classification	Unobservable Inputs	Value Range	Time Period
Commodity contracts	Liabilities	Forward ethane prices (per gallon)[(1)]	\$0.24 - \$0.28	July 2016 - Dec. 2016
		Forward propane prices (per gallon)[(1)]	\$0.52 - \$0.57	July 2016 - Dec. 2016
		Forward isobutane prices (per gallon)[(1)]	\$0.69 - \$0.72	July 2016 - Dec. 2016
		Forward normal butane prices (per gallon)[(1)]	\$0.63 - \$0.69	July 2016 - Dec. 2016
		Forward natural gasoline prices (per gallon)[(1)]	\$0.99 - \$1.03	July 2016 - Dec. 2016