EnLink Midstream, LLC
Form 10-Q
August 01, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2018

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: 001-36336

ENLINK MIDSTREAM, LLC
(Exact name of registrant as specified in its charter)

Delaware	46-4108528
(State of organization)	(I.R.S. Employer Identification No.)

1722 Routh St., Suite 1300	
Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

(214) 953-9500
(Registrant’s telephone number, including area code)

Indicate by check mark whether 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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 ý No ¨

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

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

(Do not check if a smaller reporting company)	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

As of July 26, 2018, the Registrant had 181,132,896 common units outstanding.

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DEFINITIONS

The following terms as defined are used in this document:

Defined Term	Definition
/d	Per day.
2017 EDA	Equity Distribution Agreement entered into by ENLK in August 2017 with UBS Securities LLC, Barclays Capital Inc., BMO Capital Markets Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, Mizuho Securities USA LLC, RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc., and Wells Fargo Securities, LLC to sell up to $600.0 million in aggregate gross sales of our common units from time to time through an “at the market” equity offering program.
AMZ	Alerian MLP Index for Master Limited Partnerships.
ASC	The FASB Accounting Standards Codification.
ASC 606	ASC 606, Revenue from Contracts with Customers.
ASU	The FASB Accounting Standards Update.
Ascension JV	Ascension Pipeline Company, LLC, a joint venture between a subsidiary of ENLK and a subsidiary of Marathon Petroleum Corporation in which ENLK owns a 50% interest and Marathon Petroleum Corporation owns a 50% interest. The Ascension JV, which began operations in April 2017, owns an NGL pipeline that connects ENLK’s Riverside fractionator to Marathon Petroleum Corporation’s Garyville refinery.
Bbls	Barrels.
Bcf	Billion cubic feet.
Cedar Cove JV	Cedar Cove Midstream LLC, a joint venture between a subsidiary of ENLK and a subsidiary of Kinder Morgan, Inc. in which ENLK owns a 30% interest and Kinder Morgan, Inc. owns a 70% interest. The Cedar Cove JV, which was formed in November 2016, owns gathering and compression assets in Blaine County, Oklahoma, located in the STACK play.
CFTC	U.S. Commodity Futures Trading Commission.
CNOW	Central Northern Oklahoma Woodford Shale.
Devon	Devon Energy Corporation.
Delaware Basin JV	Delaware G&P LLC, a joint venture between a subsidiary of ENLK and an affiliate of NGP in which ENLK owns a 50.1% interest and NGP owns a 49.9% interest. The Delaware Basin JV, which was formed in August 2016, owns the Lobo processing facilities located in the Delaware Basin in Texas.
ENLC	EnLink Midstream, LLC.
ENLC Credit Facility	A $250.0 million revolving credit facility entered into by ENLC that matures on March 7, 2019, which includes a $125.0 million letter of credit subfacility.
ENLK	EnLink Midstream Partners, LP or EnLink Midstream Partners, LP together with its consolidated subsidiaries. Also referred to as the “Partnership.”
ENLK Credit Facility	A $1.5 billion unsecured revolving credit facility entered into by ENLK that matures on March 6, 2020, which includes a $500.0 million letter of credit subfacility.
EOGP	EnLink Oklahoma Gas Processing, LP or EnLink Oklahoma Gas Processing, LP together with, when applicable, its consolidated subsidiaries. EOGP is a partnership in which ENLK and ENLC hold an approximate 84% and 16% interest, respectively.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
GAAP	Generally accepted accounting principles in the United States of America.
Gal	Gallons.
GCF	Gulf Coast Fractionators, which owns an NGL fractionator in Mont Belvieu, Texas. ENLK owns 38.75% of GCF.

General Partner	EnLink Midstream GP, LLC, the general partner of ENLK, which owns a 0.4% general partner interest and all of the incentive distribution rights in ENLK.
GIP	Global Infrastructure Management, LLC, an independent infrastructure fund manager, itself, or its affiliates, including GIP III Stetson I, L.P. and GIP III Stetson II, L.P.
Greater Chickadee	Crude oil gathering system in Upton and Midland counties, Texas in the Permian Basin.
Gross Operating Margin	A non-GAAP financial measure. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for the definition and other information.
HEP	Howard Energy Partners. ENLK sold its 31% ownership interest in HEP in March 2017.
ISDAs	International Swaps and Derivatives Association Agreements.

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Mcf	Thousand cubic feet.
MMbtu	Million British thermal units.
MMcf	Million cubic feet.
MVC	Minimum volume commitment.
NGL	Natural gas liquid.
NGP	NGP Natural Resources XI, LP, an affiliate of ENLK’s joint venture partner in the Delaware Basin JV.
Operating Partnership	EnLink Midstream Operating, LP, a Delaware limited partnership and wholly owned subsidiary of ENLK.
ORV	ENLK’s Ohio River Valley crude oil, condensate stabilization, natural gas compression, and brine disposal assets in the Utica and Marcellus shales.
OTC	Over-the-counter.
Permian Basin	A large sedimentary basin that includes the Midland and Delaware Basins in West Texas.
POL contracts	Percentage-of-liquids contracts.
POP contracts	Percentage-of-proceeds contracts.
Series B Preferred Units	ENLK’s Series B Cumulative Convertible Preferred Units.
Series C Preferred Units	ENLK’s Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units.
STACK	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties in Oklahoma.
VEX	ENLK’s Victoria Express Pipeline and related truck terminal and storage assets located in the Eagle Ford Shale in South Texas.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
ENLINK MIDSTREAM, LLC
Consolidated Balance Sheets
(In millions, except unit data)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36.8	$ 31.2
Accounts receivable:		
Trade, net of allowance for bad debt of $0.3 and $0.3, respectively	73.2	50.1
Accrued revenue and other	579.4	576.6
Related party	122.7	102.8
Fair value of derivative assets	4.0	6.8
Natural gas and NGLs inventory, prepaid expenses, and other	99.1	41.2
Total current assets	915.2	808.7
Property and equipment, net of accumulated depreciation of $2,745.8 and $2,533.0, respectively	6,763.2	6,587.0
Intangible assets, net of accumulated amortization of $360.4 and $298.7, respectively	1,435.4	1,497.1
Goodwill	1,542.2	1,542.2
Investment in unconsolidated affiliates	85.5	89.4
Other assets, net	42.1	13.4
Total assets	$ 10,783.6	$ 10,537.8
LIABILITIES AND MEMBERS’ EQUITY		
Current liabilities:		
Accounts payable and drafts payable	$ 115.2	$ 66.9
Accounts payable to related party	30.5	16.3
Accrued gas, NGLs, condensate, and crude oil purchases	509.2	476.1
Fair value of derivative liabilities	10.7	8.4
Installment payable, net of discount of $0.5 at December 31, 2017	—	249.5
Current maturities of long-term debt	483.7	—
Other current liabilities	206.4	222.9
Total current liabilities	1,355.7	1,040.1
Long-term debt	3,590.2	3,542.1
Asset retirement obligations	14.5	14.2
Other long-term liabilities	21.2	33.9
Deferred tax liability	358.0	346.2
Fair value of derivative liabilities	8.9	—
Redeemable non-controlling interest	4.6	4.6
Members’ equity:		
Members’ equity (181,051,875 and 180,600,728 units issued and outstanding, respectively)	1,871.9	1,924.2
Accumulated other comprehensive loss	(2.0)	(2.0)
Non-controlling interest	3,560.6	3,634.5
Total members’ equity	5,430.5	5,556.7
Total liabilities and members’ equity	$ 10,783.6	$ 10,537.8

See accompanying notes to consolidated financial statements.

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ENLINK MIDSTREAM, LLC
Consolidated Statements of Operations
(In millions, except per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Revenues:				
Product sales	$1,435.1	$927.2	$2,934.3	$1,917.2
Product sales—related parties	27.2	29.3	30.8	72.0
Midstream services	142.4	131.9	234.6	259.3
Midstream services—related parties	175.2	173.6	341.4	332.6
Gain (loss) on derivative activity	(15.2)	1.6	(14.7)	4.4
Total revenues	1,764.7	1,263.6	3,526.4	2,585.5
Operating costs and expenses:				
Cost of sales (1)	1,325.6	932.4	2,707.1	1,934.7
Operating expenses	113.4	102.6	222.6	206.7
General and administrative	30.4	31.1	57.9	67.2
(Gain) loss on disposition of assets	1.2	(5.4)	1.3	(0.3)
Depreciation and amortization	145.3	142.5	283.4	270.8
Impairments	—	—	—	7.0
Gain on litigation settlement	—	(8.5)	—	(26.0)
Total operating costs and expenses	1,615.9	1,194.7	3,272.3	2,460.1
Operating income	148.8	68.9	254.1	125.4
Other income (expense):				
Interest expense, net of interest income	(44.6)	(47.7)	(89.1)	(92.6)
Gain on extinguishment of debt	—	9.0	—	9.0
Income (loss) from unconsolidated affiliates	4.4	(0.1)	7.4	0.6
Other income (expense)	(0.1)	0.2	0.2	0.2
Total other expense	(40.3)	(38.6)	(81.5)	(82.8)
Income before non-controlling interest and income taxes	108.5	30.3	172.6	42.6
Income tax provision	(6.3)	(3.2)	(13.3)	(6.2)
Net income	102.2	27.1	159.3	36.4
Net income attributable to non-controlling interest	74.2	21.2	118.9	32.4
Net income attributable to ENLC	$28.0	$5.9	$40.4	$4.0
Net income attributable to ENLC per unit:				
Basic common unit	$0.15	$0.03	$0.22	$0.02
Diluted common unit	$0.15	$0.03	$0.22	$0.02

(1) Includes related party cost of sales of $46.7 million and $50.9 million for the three months ended June 30, 2018 and 2017, respectively, and $80.8 million and $79.6 million for the six months ended June 30, 2018 and 2017, respectively.

See accompanying notes to consolidated financial statements.

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ENLINK MIDSTREAM, LLC
Consolidated Statements of Comprehensive Income
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Net income	$102.2	$27.1	$159.3	$36.4
Loss on designated cash flow hedge, net of tax benefit of $0.2 million for the three and six months ended June 30, 2017	—	(2.0)	—	(2.0)
Comprehensive income	102.2	25.1	159.3	34.4
Comprehensive income attributable to non-controlling interest	74.2	19.6	118.9	30.8
Comprehensive income attributable to EnLink Midstream, LLC	$28.0	$5.5	$40.4	$3.6

See accompanying notes to consolidated financial statements.

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ENLINK MIDSTREAM, LLC
Consolidated Statement of Changes in Members' Equity
Six Months Ended June 30, 2018
(In millions)

	Common Units		Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total	Redeemable Non-Controlling Interest (Temporary Equity)
	$	Units	$	$	$	$
	(Unaudited)					
Balance, December 31, 2017	$1,924.2	180.6	$ (2.0)	$ 3,634.5	$5,556.7	$ 4.6
Issuance of common units by ENLK	—	—	—	0.9	0.9	—
Conversion of restricted units for common units, net of units withheld for taxes	(3.5)	0.5	—	—	(3.5)	—
Non-controlling interest's impact of conversion of restricted units	—	—	—	(3.4)	(3.4)	—
Unit-based compensation	8.4	—	—	8.4	16.8	—
Change in equity due to issuance of units by ENLK	(1.9)	—	—	2.5	0.6	—
Contributions from non-controlling interests	—	—	—	54.3	54.3	—
Distributions	(95.7)	—	—	(255.5)	(351.2)	—
Net income	40.4	—	—	118.9	159.3	—
Balance, June 30, 2018	$1,871.9	181.1	$ (2.0)	$ 3,560.6	$5,430.5	$ 4.6

See accompanying notes to consolidated financial statements.

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ENLINK MIDSTREAM, LLC
Consolidated Statements of Cash Flows
(In millions)

	Six Months Ended June 30,	
	2018	2017
	(Unaudited)	
Cash flows from operating activities:		
Net income	$159.3	$ 36.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairments	—	7.0
Depreciation and amortization	283.4	270.8
Non-cash unit-based compensation	14.7	28.7
(Gain) loss on derivatives recognized in net income	14.7	(4.4)
Gain on extinguishment of debt	—	(9.0)
Cash settlements on derivatives	(0.4)	(6.0)
Amortization of debt issue costs, net discount (premium) of notes and installment payable	2.5	14.3
Distribution of earnings from unconsolidated affiliates	9.5	—
Income from unconsolidated affiliates	(7.4)	(0.6)
Non-cash revenue from contract restructuring	(45.5)	—
Other operating activities	13.2	5.8
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable, accrued revenue, and other	(46.7)	56.2
Natural gas and NGLs inventory, prepaid expenses, and other	(40.1)	(34.0)
Accounts payable, accrued gas and crude oil purchases, and other accrued liabilities	72.1	(36.1)
Net cash provided by operating activities	429.3	329.1
Cash flows from investing activities:		
Additions to property and equipment	(404.4)	(471.7)
Proceeds from sale of unconsolidated affiliate investment	—	189.7
Investment in unconsolidated affiliates	(0.1)	(10.3)
Distribution from unconsolidated affiliates in excess of earnings	1.9	7.4
Other investing activities	0.8	1.3
Net cash used in investing activities	(401.8)	(283.6)
Cash flows from financing activities:		
Proceeds from borrowings	1,361.8	1,800.2
Payments on borrowings	(832.0)	(1,384.9)
Payment of installment payable for EOGP acquisition	(250.0)	(250.0)
Debt financing costs	—	(5.7)
Conversion of restricted units, net of units withheld for taxes	(3.5)	(4.8)
Conversion of ENLK's restricted units, net of units withheld for taxes	(3.4)	(5.1)
Proceeds from issuance of ENLK common units	0.9	72.2
Distribution to members	(95.7)	(92.9)
Distributions to non-controlling partners	(255.5)	(202.9)
Contributions by non-controlling interests	54.3	28.5
Other financing activities	1.2	(0.4)
Net cash used in financing activities	(21.9)	(45.8)
Net increase (decrease) in cash and cash equivalents	5.6	(0.3)
Cash and cash equivalents, beginning of period	31.2	11.7
Cash and cash equivalents, end of period	$36.8	$ 11.4

Supplemental disclosures of cash flow information:		
Cash paid for interest	$89.1	$ 79.1
Cash paid for income taxes	$0.4	$ 3.6
Non-cash investing activities:		
Non-cash accrual of property and equipment	$(5.0)	$ (5.2)
Discounted secured term loan receivable from contract restructuring	$47.7	$ —

See accompanying notes to consolidated financial statements.

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ENLINK MIDSTREAM, LLC
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)
(1) General

In this report, the terms “Company” or “Registrant,” as well as the terms “ENLC,” “our,” “we,” “us,” or like terms, are someti used as abbreviated references to EnLink Midstream, LLC itself or EnLink Midstream, LLC together with its consolidated subsidiaries, including ENLK and its consolidated subsidiaries. References in this report to “EnLink Midstream Partners, LP,” the “Partnership,” “ENLK,” or like terms refer to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries, including the Operating Partnership and EOGP.

Please read the notes to the consolidated financial statements in conjunction with the Definitions page set forth in this report prior to Part I—Financial Information.

(a) Organization of Business

EnLink Midstream, LLC is a publicly traded Delaware limited liability company formed in October 2013. The Company’s common units are traded on the New York Stock Exchange under the symbol “ENLC.”

Our assets consist of equity interests in ENLK and EOGP. ENLK is a publicly traded limited partnership formed on July 12, 2002 and is engaged in the gathering, transmission, processing, and marketing of natural gas, NGLs, condensate, and crude oil, as well as providing crude oil, condensate, and brine services to producers. EOGP is a partnership held by us and ENLK and is engaged in the gathering and processing of natural gas. As of June 30, 2018, our direct and indirect interests in ENLK and EOGP consisted of the following:

- 88,528,451 common units representing an aggregate 21.6% limited partner interest in ENLK;

- 100% ownership interest in the General Partner of ENLK, which owns a 0.4% general partner interest and all of the incentive distribution rights in ENLK; and

- 16.1% limited partner interest in EOGP

Prior to July 18, 2018, subsidiaries of Devon collectively owned a 100% equity interest in ENLC’s managing member, common units of ENLC representing approximately 63.8% of the outstanding limited liability company interests in ENLC, and approximately 23.1% of the outstanding limited partner interests in ENLK. On July 18, 2018, the Devon subsidiaries sold all of these interests to GIP. See Note 15—Subsequent Event for more information regarding this transaction.
(b) Nature of Business

We primarily focus on providing midstream energy services, including:

- gathering, compressing, treating, processing, transporting, storing, and selling natural gas;
- fractionating, transporting, storing, and selling NGLs; and
- gathering, transporting, stabilizing, storing, trans-loading, and selling crude oil and condensate, in addition to brine disposal services.

Our natural gas business includes connecting the wells of producers in our market areas to our gathering systems. Our gathering systems consist of networks of pipelines that collect natural gas from points at or near producing wells and transport it to our processing plants or to larger pipelines for further transmission. We operate processing plants that remove NGLs from the natural gas stream that is transported to the processing plants by our own gathering systems or by third-party pipelines. In conjunction with our gathering and processing business, we may purchase natural gas and NGLs from producers and other supply sources and sell that natural gas or NGLs to utilities, industrial consumers, marketers, and pipelines. Our transmission pipelines receive natural gas from our gathering systems and from third-party gathering and transmission systems and deliver natural gas to industrial end-users, utilities, and other pipelines.

Our fractionators separate NGLs into separate purity products, including ethane, propane, iso-butane, normal butane, and natural gasoline. Our fractionators receive NGLs primarily through our transmission lines that transport NGLs from East Texas and from our South Louisiana processing plants. Our fractionators also have the capability to receive NGLs by truck or rail

terminals. We also have agreements pursuant to which third parties transport NGLs from our West Texas and Central Oklahoma operations to our NGL transmission lines that then transport the NGLs to our fractionators. In addition, we have NGL storage capacity to provide storage for customers.

Our crude oil and condensate business includes the gathering and transmission of crude oil and condensate via pipelines, barges, rail, and trucks, in addition to condensate stabilization and brine disposal. We also purchase crude oil and condensate from producers and other supply sources and sell that crude oil and condensate through our terminal facilities to various markets.

Across our businesses, we primarily earn our fees through various fee-based contractual arrangements, which include stated fee-only contract arrangements or arrangements with fee-based components where we purchase and resell commodities in connection with providing the related service and earn a net margin as our fee. We earn our net margin under our purchase and resell contract arrangements primarily as a result of stated service-related fees that are deducted from the price of the commodities purchased. While our transactions vary in form, the essential element of most of our transactions is the use of our assets to transport a product or provide a processed product to an end-user or marketer at the tailgate of the plant, pipeline, or barge, truck, or rail terminal.

(2) Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the instructions to Form 10-Q, are unaudited, and do not include all the information and disclosures required by GAAP for complete financial statements. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Revenue Recognition

We generate the majority of our revenues from midstream energy services, including gathering, transmission, processing, fractionation, storage, condensate stabilization, brine services, and marketing, through various contractual arrangements, which include fee-based contract arrangements or arrangements where we purchase and resell commodities in connection with providing the related service and earn a net margin for our fee. While our transactions vary in form, the essential element of most of our transactions is the use of our assets to transport a product or provide a processed product to an end-user or marketer at the tailgate of the plant, pipeline, or barge, truck, or rail terminal. Revenues from both “Product sales” and “Midstream services” represent revenues from contracts with customers and are reflected on the consolidated statements of operations as follows:

- Product sales—Product sales represent the sale of natural gas, NGLs, crude oil, and condensate where the product is purchased and resold in connection with providing our midstream services as outlined above.

- Midstream services—Midstream services represent all other revenue generated as a result of performing our midstream services as outlined above.

Adoption of ASC 606

Effective January 1, 2018, we adopted ASC 606 using the modified retrospective method. ASC 606 replaces previous revenue recognition requirements in GAAP and requires entities to recognize revenue at an amount that reflects the consideration to which they expect to be entitled in exchange for transferring goods or services to a customer. ASC 606 also requires significantly expanded disclosures containing qualitative and quantitative information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

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ENLINK MIDSTREAM, LLC
Notes to Consolidated Financial Statements (Continued)
(Unaudited)

Evaluation of Our Contractual Performance Obligations

In adopting ASC 606, we evaluated our contracts with customers that are within the scope of ASC 606. In accordance with the new revenue recognition framework introduced by ASC 606, we identified our performance obligations under our contracts with customers. These performance obligations include:

- promises to perform midstream services for our customers over a specified contractual term and/or for a specified volume of commodities; and

- promises to sell a specified volume of commodities to our customers.

The identification of performance obligations under our contracts requires a contract-by-contract evaluation of when control, including the economic benefit, of commodities transfers to and from us (if at all). This evaluation of control changed the way we account for certain transactions effective January 1, 2018, specifically those contracts in which there is both a commodity purchase and a midstream service. For contracts where control of commodities transfers to us before we perform our services, we generally have no performance obligation for our services, and accordingly, we do not consider these revenue-generating contracts for purposes of ASC 606. Based on the control determination, all contractually-stated fees that are deducted from our payments to producers or other suppliers for commodities purchased are reflected as a reduction in the cost of such commodity purchases. Alternatively, for contracts where control of commodities transfers to us after we perform our services, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating and recognize the fees received for satisfying them as midstream service revenues over time as we satisfy our performance obligations. For contracts where control of commodities never transfers to us and we simply earn a fee for our services, we recognize these fees as midstream services revenues over time as we satisfy our performance obligations.

We also evaluate our contractual arrangements that contain a purchase and sale of commodities under the principal/agent provisions in ASC 606. For contracts where we possess control of the commodity and act as principal in the purchase and sale, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities when purchased. For contracts in which we do not possess control of the commodity and are acting as an agent, our consolidated statements of operations only reflect midstream services revenues that we earn based on the fees contained in the applicable contract.

Based on our review of our performance obligations in our contracts with customers, we changed the consolidated statement of operations classification for certain transactions from revenue to cost of sales or from cost of sales to revenue. For the three and six months ended June 30, 2018, the reclassification of revenues and cost of sales resulted in a net decrease in revenue of approximately $163 million and $301 million, respectively, or 9% and 8%, respectively, compared to total revenues based on accounting prior to the adoption of ASC 606, with an equivalent net decrease in cost of sales. The change in total revenues as a result of the adoption of ASC 606 is made up of the following revenue line item changes (in millions):

	Increase (Decrease) in Revenue Due to ASC 606 Adoption

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Product sales	$(46)	$ (78)
Product sales—related parties	(24)	(46)
Midstream services	(76)	(153)
Midstream services—related parties	(17)	(24)
Total	$(163)	$ (301)

This change in accounting treatment had no impact on our operating income, net income, results of operations, financial condition, or cash flows.

Changes in Accounting Methodology for Certain Contracts

For NGL contracts in which we purchase raw mix NGLs and subsequently transport, fractionate, and market the NGLs, we accounted for these contracts prior to the adoption of ASC 606 as revenue-generating contracts in which the fees we earned for

our services were recorded as midstream services revenue on the consolidated statements of operations. As a result of the adoption of ASC 606, we determined that the control, including the economic benefit, of commodities has passed to us once the raw mix NGLs have been purchased from the customer. Therefore, we now consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of such commodity purchased upon receipt of the raw mix NGLs, rather than being recorded as midstream services revenue. Upon sale of the NGLs to a third-party customer, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities purchased.

For our crude oil and condensate service contracts in which we purchase the commodity, we utilize a similar approach under ASC 606 as outlined above for NGL contracts. This treatment is consistent with our accounting for crude oil and condensate service contracts prior to the adoption of ASC 606.

For our natural gas gathering and processing contracts in which we perform midstream services and also purchase the natural gas, we accounted for these contracts prior to the adoption of ASC 606 as revenue-generating contracts in which all contractually-stated fees earned for our gathering and processing services were recorded as midstream services revenue on the statements of operations. As a result of the adoption of ASC 606, we must determine if economic control of the commodities has passed from the producer to us before or after we perform our services (if at all). Control is assessed on a contract-by-contract basis by analyzing each contract’s provisions, which can include provisions for: the customer to take its residue gas and/or NGLs in-kind; fixed or actual NGL or keep-whole recovery; commodity purchase prices at weighted average sales price or market index-based pricing; and various other contract-specific considerations. Based on this control assessment, our gathering and processing contracts fall into two primary categories:

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas passes to us when the natural gas is brought into our system, we do not consider these contracts to contain performance obligations for our services. As control of the natural gas passes to us prior to performing our gathering and processing services, we are, in effect, performing our services for our own benefit. Based on this control determination, we consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of such commodity purchased upon receipt of the natural gas, rather than being recorded as midstream services revenue. Upon sale of the residue gas and/or NGLs to a third-party customer, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities purchased.

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas does not pass to us until after the natural gas has been gathered and processed, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating, and we recognize the fees received for satisfying these performance obligations as midstream service revenues over time as we satisfy our performance obligations.

For midstream service contracts related to NGL, crude oil, or natural gas gathering and processing in which there is no commodity purchase or control of the commodity never passes to us and we simply earn a fee for our services, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating, and we recognize the fees received for satisfying these performance obligations as midstream service revenues over time as we satisfy our performance obligations. This

treatment is consistent with our accounting for these contracts prior to the adoption of ASC 606.

For our natural gas transmission contracts, we determined that control of the natural gas never transfers to us and we simply earn a fee for our services. Therefore, we recognize these fees as midstream services revenues over time as we satisfy our performance obligations. This treatment is consistent with our accounting for natural gas transmission contracts prior to the adoption of ASC 606.

We also evaluate our commodity marketing contracts, under which we purchase and sell commodities in connection with our gas, NGL, crude, and condensate midstream services, pursuant to ASC 606, including the principal/agent provisions. For contracts in which we possess control of the commodity and act as principal in the purchase and sale of commodities, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities when purchased. For contracts in which we do not possess control of the commodity and are acting as agent, our consolidated statements of operations only reflect midstream services revenues that we earn based on the fees contained in the

applicable contract. This treatment is consistent with our accounting for our commodity marketing contracts prior to the adoption of ASC 606.

Satisfaction of Performance Obligations and Recognition of Revenue

While ASC 606 alters the line item on which certain amounts are recorded on the consolidated statements of operations, ASC 606 did not significantly affect the timing of income and expense recognition on the consolidated statements of operations. Specifically, for our commodity sales contracts, we satisfy our performance obligations at the point in time at which the commodity transfers from us to the customer. This transfer pattern aligns with our billing methodology. Therefore, we recognize product sales revenue at the time the commodity is delivered and in the amount to which we have the right to invoice the customer, which is consistent with our accounting prior to the adoption of ASC 606. For our midstream service contracts that contain revenue-generating performance obligations, we satisfy our performance obligations over time as we perform the midstream service and as the customer receives the benefit of these services over the term of the contract. As permitted by ASC 606, we are utilizing the practical expedient that allows an entity to recognize revenue in the amount to which the entity has a right to invoice, since we have a right to consideration from our customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Accordingly, we continue to recognize revenue over time as our midstream services are performed. Therefore, ASC 606 does not significantly affect the timing of revenue and expense recognition on our consolidated statements of operations, and no cumulative effect adjustment was made to the balance of equity upon our adoption of ASC 606.

We generally accrue one month of sales and the related natural gas, NGL, condensate, and crude oil purchases and reverse these accruals when the sales and purchases are invoiced and recorded in the subsequent month. Actual results could differ from the accrual estimates. We typically receive payment for invoiced amounts within one month, depending on the terms of the contract. We account for taxes collected from customers attributable to revenue transactions and remitted to government authorities on a net basis (excluded from revenues).

Minimum Volume Commitments and Firm Transportation Contracts

Certain gathering and processing agreements in our Texas, Oklahoma, and Crude and Condensate segments provide for quarterly or annual MVCs, including MVCs from Devon from certain of our Barnett Shale assets in North Texas and our Cana gathering and processing assets in Oklahoma. Under these agreements, our customers or suppliers (as "customers" and "suppliers" are determined per application of ASC 606) agree to ship and/or process a minimum volume of product on our systems over an agreed time period. If a customer or supplier under such an agreement fails to meet its MVC for a specified period, the customer is obligated to pay a contractually-determined fee based upon the shortfall between actual product volumes and the MVC for that period. Some of these agreements also contain make-up right provisions that allow a customer or supplier to utilize gathering or processing fees in excess of the MVC in subsequent periods to offset shortfall amounts in previous periods. We record revenue under MVC contracts during periods of shortfall when it is known that the customer cannot, or will not, make up the deficiency in subsequent periods. Deficiency fee revenue is included in midstream services revenues.

For our firm transportation contracts, we transport commodities owned by others for a stated monthly fee for a specified monthly quantity with an additional fee based on actual volumes. We include transportation fees from firm transportation contracts in our midstream services revenues.

The following table summarizes the expected impact to our consolidated statements of operations, resulting from either revenue or reductions to cost of sales, from MVC and firm transportation contractual provisions. All amounts in the table below reflect the contractually-stated MVC or firm transportation volumes specified for each period multiplied by the relevant deficiency or reservation fee. Actual amounts could differ due to the timing of revenue recognition or reductions to cost of sales resulting from make-up right provisions included in our agreements, as well as due to nonpayment or nonperformance by our customers. In addition, amounts in the table below do not represent the shortfall amounts we expect to collect under our MVC contracts as we generally do not expect volume shortfalls to equal the full amount of the contractual MVCs during these periods.

2018 (remaining)	$388.4
2019	235.8
2020	224.8
2021	82.2
2022	71.9
Thereafter	231.2
Total	$1,234.3

In May 2018, we restructured one of our natural gas gathering and processing contracts that included MVCs that were in effect through 2023. Prior to the contract restructuring, we expected $135.1 million in guaranteed future gross operating margin under the contract, generated from either revenue or reductions to cost of sales resulting from both gathering and processing fees as well as shortfall revenue under the MVCs. As a result of the contract restructuring, all MVC provisions were removed from the contract, and we and the counterparty entered into additional agreements pursuant to which: (i) the counterparty made a $19.7 million payment to us on the date of the contract restructuring to satisfy MVC revenue earned up to the date of the contract restructuring; (ii) the counterparty entered into a second lien secured term loan under which the counterparty will pay us $58.0 million in principal payments in various installments ending in May 2023, with interest accruing on the loan balance at 8.0% per annum beginning in 2020; and (iii) the counterparty granted to us a 1.0% term overriding royalty interest through June 2034 in each well located on leasehold interests of the counterparty and connected to the gas gathering system that we operate. As a result of the contract restructuring and in accordance with ASC 606, we recognized $45.5 million of midstream services revenue, which primarily represents the discounted present value of the second lien secured term loan receivable, in the Oklahoma segment in the second quarter of 2018. Pursuant to the contract restructuring, the terms of the restructured contract, other than the MVCs, are the same as the original contract, and we expect to continue recognizing gathering and processing fees on volumes delivered by the customer.

Contributions in Aid of Construction

The adoption of ASC 606 also alters how we account for contributions in aid of construction (“CIAC”). CIAC payments are lump sum payments from third parties to reimburse us for capital expenditures related to the construction of our operating assets and, in most cases, the connection of these operating assets to the third party’s assets. CIAC payments can be paid to us prior to the commencement of construction activities, during construction, or after construction has been completed. Prior to adoption of ASC 606 and in accordance with ASC 980, Regulated Operations (“ASC 980”), and the FERC Uniform System of Accounts, we reduced the balance of the related property and equipment by the amount of CIAC payments received. In doing so, CIAC payments previously affected the consolidated statements of operations through reduced depreciation expense over the useful lives of the related property and equipment. Upon adoption of ASC 606, we initially recognize CIAC payments received from customers as deferred revenue, which will be subsequently amortized into revenue over the term of the underlying operational contract. For CIAC payments from noncustomers and for payments related to the construction of regulated operating assets, we continue to reduce the balance of the related property and equipment in accordance with ASC 980 and the FERC Uniform System of Accounts. This change in our CIAC accounting policy was not material to our financial statements for the three and six months ended June 30, 2018.

Disaggregation of Revenue and Presentation of Prior Periods

Based on the disclosure requirements of ASC 606, we are presenting revenues disaggregated based on the type of good or service in order to more fully depict the nature of our revenues. See Note 13—Segment Information for the

revenue disaggregation information included in the segment information table for the three and six months ended June 30, 2018. As we adopted ASC 606 using the modified retrospective method, only the consolidated statement of operations and revenue disaggregation information for the three and six months ended June 30, 2018 are presented to conform to ASC 606 accounting and disclosure requirements. Prior periods presented in the consolidated financial statements and accompanying notes were not restated in accordance with ASC 606.

(c) Accounting Standards to be Adopted in Future Periods

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842)—Amendments to the FASB Accounting Standards Codification ("ASU 2016-02"), which establishes ASC Topic 842, Leases ("ASC 842"). Under ASC 842, lessees will need to recognize virtually all of their leases on the balance sheet by recording a right-of-use asset and lease liability. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition

standard. Existing sale-leaseback guidance is replaced with a new model applicable to both lessees and lessors. Additional revisions have been made to embedded leases, reassessment requirements, and lease term assessments including variable lease payment, discount rate, and lease incentives. ASC 842 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. Entities are required to adopt ASC 842 using a modified retrospective transition. We will adopt ASC 842 effective January 1, 2019. We are currently assessing the impact of adopting ASC 842 and are in the process of implementing a lease accounting software tool. This assessment includes the evaluation of our current lease contracts and the analysis of contracts that may contain lease components. While we cannot currently estimate the quantitative effect that ASC 842 will have on our consolidated financial statements, the adoption of ASC 842 will increase our asset and liability balances on the consolidated balance sheets due to the required recognition of right-of-use assets and corresponding lease liabilities for all lease obligations that are currently classified as operating leases. In addition, there are industry-specific concerns with the implementation of ASC 842 that will require further evaluation before we are able to fully assess the impact of ASC 842 on our consolidated financial statements.

In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842)—Land Easement Practical Expedient for Transition to Topic 842 (“ASU 2018-01”). ASU 2018-01 amends ASC 842 and provides an optional practical expedient to not evaluate under ASC 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in ASC 840, Leases. Under ASU 2018-01, an entity that elects this practical expedient should evaluate new or modified land easements under ASC 842 beginning at the date that the entity adopts ASC 842. We plan to utilize the practical expedient provided in ASU 2018-01 in conjunction with our adoption of ASC 842.

(d) Property & Equipment

Impairment Review. In accordance with ASC 360, Property, Plant and Equipment, we evaluate long-lived assets of identifiable business activities for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the undiscounted sum of the future cash flows expected to result from the use and eventual disposition of the asset. Estimates of expected future cash flows represent management’s best estimate based on reasonable and supportable assumptions. When the carrying amount of a long-lived asset is not recoverable, an impairment loss is recognized equal to the excess of the asset’s carrying value over its fair value. For the six months ended June 30, 2017, we recognized impairments of property and equipment of $7.0 million, which related to the carrying values of rights-of-way that we are no longer using and an abandoned brine disposal well. We did not recognize impairments for any other period presented in the consolidated statements of operations.

(3) Intangible Assets

Intangible assets associated with customer relationships are amortized on a straight-line basis over the expected period of benefits of the customer relationships, which range from 10 to 20 years.

The following table represents our change in carrying value of intangible assets (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Six Months Ended June 30, 2018			

Customer relationships, beginning of period	$1,795.8	$ (298.7)	$1,497.1
Amortization expense	—	(61.7)	(61.7)
Customer relationships, end of period	$1,795.8	$ (360.4)	$1,435.4

The weighted average amortization period is 15.0 years. Amortization expense was $30.9 million and $35.5 million for the three months ended June 30, 2018 and 2017, respectively, and $61.7 million and $65.0 million for the six months ended June 30, 2018 and 2017, respectively.

The following table summarizes our estimated aggregate amortization expense for the next five years and thereafter (in millions):

2018 (remaining)	$61.8
2019	123.4
2020	123.4
2021	123.4
2022	123.4
Thereafter	880.0
Total	$1,435.4

(4) Related Party Transactions

We engage in various transactions with Devon and other related parties. For the three and six months ended June 30, 2018, Devon accounted for 11.5% and 10.6% of our revenues, respectively, and for the three and six months ended June 30, 2017, Devon accounted for 15.8% and 15.3% of our revenues, respectively. We had an accounts receivable balance related to transactions with Devon of $122.1 million at June 30, 2018 and $102.7 million at December 31, 2017. Additionally, we had an accounts payable balance related to transactions with Devon of $27.0 million at June 30, 2018 and $16.3 million at December 31, 2017.

On July 18, 2018, subsidiaries of Devon sold all of their equity interests in ENLK, ENLC, and the managing member of ENLC to GIP. Accordingly, Devon is no longer an affiliate of ENLK or ENLC. The sale did not affect our commercial arrangements with Devon, except that Devon agreed to extend through 2029 certain existing, fixed-fee gathering and processing contracts related to the Bridgeport plant in North Texas and the Cana plant in Oklahoma. See Note 15—Subsequent Event for additional information regarding Devon’s sale to GIP.

For the three and six months ended June 30, 2018, we recorded cost of sales of $9.5 million and $22.5 million, respectively, and for the three and six months ended June 30, 2017, we recorded cost of sales of $4.3 million and $5.5 million, respectively, related to our purchase of residue gas and NGLs from the Cedar Cove JV subsequent to processing at our Central Oklahoma processing facilities. We had an accounts receivable balance related to transactions with Cedar Cove of $0.6 million at June 30, 2018. Additionally, we had an accounts payable balance related to transactions with Cedar Cove of $3.5 million at June 30, 2018. The accounts receivable and payable balances related to transactions with Cedar Cover were immaterial at December 31, 2017.

Management believes these transactions are executed on terms that are fair and reasonable to us. The amounts related to related party transactions are specified in the accompanying consolidated financial statements.

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(5) Long-Term Debt

As of June 30, 2018 and December 31, 2017, long-term debt consisted of the following (in millions):

	June 30, 2018			December 31, 2017		
	Outstanding Principal	Premium (Discount)	Long-Term Debt	Outstanding Principal	Premium (Discount)	Long-Term Debt
ENLK credit facility due 2020 (1)	$520.0	$ —	$520.0	$—	$ —	$—
ENLC credit facility due 2019 (2)	84.4	—	84.4	74.6	—	74.6
ENLK's 2.70% Senior unsecured notes due 2019	400.0	(0.1)	399.9	400.0	(0.1)	399.9
ENLK's 4.40% Senior unsecured notes due 2024	550.0	2.0	552.0	550.0	2.2	552.2
ENLK's 4.15% Senior unsecured notes due 2025	750.0	(0.9)	749.1	750.0	(1.0)	749.0
ENLK's 4.85% Senior unsecured notes due 2026	500.0	(0.6)	499.4	500.0	(0.6)	499.4
ENLK's 5.60% Senior unsecured notes due 2044	350.0	(0.2)	349.8	350.0	(0.2)	349.8
ENLK's 5.05% Senior unsecured notes due 2045	450.0	(6.3)	443.7	450.0	(6.5)	443.5
ENLK's 5.45% Senior unsecured notes due 2047	500.0	(0.1)	499.9	500.0	(0.1)	499.9
Debt classified as long-term, including current maturities of long-term debt	$4,104.4	$ (6.2)	$4,098.2	$3,574.6	$ (6.3)	$3,568.3
Debt issuance cost (3)			(24.3)			(26.2)
Less: Current maturities of long-term debt (4)			(483.7)			—
Long-term debt, net of unamortized issuance cost			$3,590.2			$3,542.1

(1) Bears interest based on Prime and/or LIBOR plus an applicable margin. The effective interest rate was 3.6% at June 30, 2018.
(2) Bears interest based on Prime and/or LIBOR plus an applicable margin. The effective interest rate was 3.9% and 3.2% at June 30, 2018 and December 31, 2017, respectively.
(3) Net of amortization of $14.8 million and $12.9 million at June 30, 2018 and December 31, 2017, respectively.
(4) The outstanding balance, net of debt issuance costs, of the ENLC Credit Facility and ENLK's 2.70% senior unsecured notes as of June 30, 2018 are classified as "Current maturities of long-term debt" on the consolidated balance sheet as the ENLC Credit Facility matures on March 7, 2019, and ENLK's 2.70% senior unsecured notes mature on April 1, 2019.

ENLC Credit Facility

The ENLC Credit Facility is a $250.0 million revolving credit facility that matures on March 7, 2019 and includes a $125.0 million letter of credit subfacility. Our obligations under the ENLC Credit Facility are guaranteed by two of our wholly-owned subsidiaries and secured by first priority liens on (i) 88,528,451 ENLK common units and the 100% membership interest in the General Partner indirectly held by us, (ii) the 100% equity interest in each of our wholly-owned subsidiaries held by us, and (iii) any additional equity interests subsequently pledged as collateral under the ENLC Credit Facility.

The ENLC Credit Facility contains certain financial, operational, and legal covenants. The financial covenants are tested on a quarterly basis, based on the rolling four-quarter period that ends on the last day of each fiscal quarter, and include (i) maintaining a maximum consolidated leverage ratio (as defined in the ENLC Credit Facility, but generally computed as the ratio of consolidated funded indebtedness to consolidated earnings before interest, taxes, depreciation, amortization, and certain other non-cash charges) of 4.00 to 1.00, provided that the maximum

consolidated leverage ratio is 4.50 to 1.00 during an acquisition period (as defined in the ENLC Credit Facility) and (ii) maintaining a minimum consolidated interest coverage ratio (as defined in the ENLC Credit Facility, but generally computed as the ratio of consolidated earnings before interest, taxes, depreciation, amortization, and certain other non-cash charges to consolidated interest charges) of 2.50 to 1.00 unless an investment grade event (as defined in the ENLC Credit Facility) occurs.

Borrowings under the ENLC Credit Facility bear interest at our option at the Eurodollar Rate (the LIBOR Rate) plus an applicable margin (ranging from 1.75% to 2.50%) or the Base Rate (the highest of the Federal Funds Rate plus 0.50%, the 30-day Eurodollar Rate plus 1.0% or the administrative agent’s prime rate) plus an applicable margin (ranging from 0.75% to 1.50%). The applicable margins vary depending on our leverage ratio. Upon breach by us of certain covenants governing the ENLC Credit Facility, amounts outstanding under the ENLC Credit Facility, if any, may become due and payable immediately and the liens securing the ENLC Credit Facility could be foreclosed upon.

On June 20, 2018, we amended the change of control provisions of the ENLC Credit Facility to, among other things, designate GIP as Qualifying Owners (as defined in the ENLC Credit Facility). At June 30, 2018, ENLC was in compliance and expects to be in compliance with the covenants in the ENLC Credit Facility through its maturity date.

As of June 30, 2018, there were no outstanding letters of credit and $84.4 million in outstanding borrowings under the ENLC Credit Facility, leaving approximately $165.6 million available for future borrowing.

ENLK Credit Facility

The ENLK Credit Facility is a $1.5 billion unsecured revolving credit facility that matures on March 6, 2020 and includes a $500.0 million letter of credit subfacility. Under the ENLK Credit Facility, ENLK is permitted to (1) subject to certain conditions and the receipt of additional commitments by one or more lenders, increase the aggregate commitments under the ENLK Credit Facility by an additional amount not to exceed $500.0 million and (2) subject to certain conditions and the consent of the requisite lenders, on two separate occasions extend the maturity date of the ENLK Credit Facility by one year on each occasion. The ENLK Credit Facility contains certain financial, operational, and legal covenants. Among other things, these covenants include maintaining a ratio of consolidated indebtedness to consolidated EBITDA (which is defined in the ENLK Credit Facility and includes projected EBITDA from certain capital expansion projects) of no more than 5.0 to 1.0. If ENLK consummates one or more acquisitions in which the aggregate purchase price is $50.0 million or more, ENLK can elect to increase the maximum allowed ratio of consolidated indebtedness to consolidated EBITDA to 5.5 to 1.0 for the quarter of the acquisition and the three following quarters.

Borrowings under the ENLK Credit Facility bear interest at ENLK’s option at the Eurodollar Rate (the LIBOR Rate) plus an applicable margin (ranging from 1.00% to 1.75%) or the Base Rate (the highest of the Federal Funds Rate plus 0.50%, the 30-day Eurodollar Rate plus 1.0% or the administrative agent’s prime rate) plus an applicable margin (ranging from 0.0% to 0.75%). The applicable margins vary depending on ENLK’s credit rating. If ENLK breaches certain covenants governing the ENLK Credit Facility, amounts outstanding under the ENLK Credit Facility, if any, may become due and payable immediately.

On June 20, 2018, ENLK amended the change of control provisions of the ENLK Credit Facility to, among other things, designate GIP as Qualifying Owners (as defined in the ENLK Credit Facility). At June 30, 2018, ENLK was in compliance and expects to be in compliance with the covenants in the ENLK Credit Facility for at least the next twelve months.

As of June 30, 2018, there were $9.3 million in outstanding letters of credit and $520.0 million outstanding borrowings under the ENLK Credit Facility, leaving approximately $970.7 million available for future borrowing.

All other material terms and conditions of the ENLC Credit Facility, the ENLK Credit Facility, and outstanding senior unsecured notes are described in Part II, “Item 8. Financial Statements and Supplementary Data—Note 6” in our Annual Report on Form 10-K for the year ended December 31, 2017.

(6) Income Taxes

Income taxes included on the consolidated financial statements were as follows for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Current income tax provision (benefit)	$(0.3)	$(1.0)	$0.9	$(0.2)
Deferred income tax provision	6.6	4.2	$12.4	$6.4
Total income tax provision	$6.3	$3.2	$13.3	$6.2

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The following schedule reconciles total income tax expense and the amount calculated by applying the statutory U.S. federal tax rate to income before income taxes (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Expected income tax provision based on federal statutory rate (1)	$7.2	$3.1	$11.3	$3.5
State income taxes expense, net of federal tax benefit	0.8	0.3	1.3	0.3
Income tax expense (benefit) from ENLK	(2.0)	(0.3)	(1.0)	0.2
Unit-based compensation	(0.1)	—	1.5	2.3
Other	0.4	0.1	0.2	(0.1)
Total income tax provision	$6.3	$3.2	$13.3	$6.2

(1) The statutory federal tax rate for corporations was 21% at June 30, 2018 and 35% at June 30, 2017.

(7) Certain Provisions of the Partnership Agreement

(a) Issuance of ENLK Common Units

In August 2017, ENLK entered into the 2017 EDA with UBS Securities LLC, Barclays Capital Inc., BMO Capital Markets Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, Mizuho Securities USA LLC, RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (collectively, the "Sales Agents") to sell up to $600.0 million in aggregate gross sales of ENLK common units from time to time through an "at the market" equity offering program. ENLK may also sell common units to any Sales Agent as principal for the Sales Agent's own account at a price agreed upon at the time of sale. ENLK has no obligation to sell any of the common units under the 2017 EDA and may at any time suspend solicitation and offers under the 2017 EDA.

For the six months ended June 30, 2018, ENLK sold an aggregate of approximately 0.1 million common units under the 2017 EDA, generating proceeds of approximately $0.9 million (net of less than $0.1 million of commissions paid to the Sales Agents). ENLK used the net proceeds for general partnership purposes. As of June 30, 2018, approximately $564.5 million in aggregate gross proceeds remains available to be issued under the 2017 EDA.

(b) ENLK Series B Preferred Units

Beginning with the quarter ended September 30, 2017, Series B Preferred Unit distributions are payable quarterly in cash at an amount equal to $0.28125 per Series B Preferred Unit (the "Cash Distribution Component") plus an in-kind distribution equal to the greater of (A) 0.0025 Series B Preferred Units per Series B Preferred Unit and (B) an amount equal to (i) the excess, if any, of the distribution that would have been payable had the Series B Preferred Units converted into common units over the Cash Distribution Component, divided by (ii) the issue price of $15.00.

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A summary of the distribution activity relating to the Series B Preferred Units during the six months ended June 30, 2018 and 2017 is provided below:

Declaration period	Distribution paid as additional Series B Preferred Units	Cash Distribution (in millions)	Date paid/payable
2018			
Fourth Quarter of 2017	413,658	$ 16.0	February 13, 2018
First Quarter of 2018	416,657	$ 16.2	May 14, 2018
Second Quarter of 2018	419,678	$ 16.3	August 13, 2018
2017			