MPLX LP
Form 10-Q
May 02, 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 March 31, 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 331,281,560 common units, 7,981,756 Class B units and 7,506,482 general partner units outstanding at April 29, 2016.

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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") and MPLX Pipe Line Holdings LLC ("Pipe Line Holdings"). 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 Hardin Street Marine LLC ("HSM")'s related assets, liabilities and results of the 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 12, 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 purchased product costs, less any 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)

	Three Months Ended March 31,	
(In millions, except per unit data)	2016	2015[(1)]
Revenues and other income:		
Service revenue	$229	$16
Service revenue - related parties	150	142
Rental income	70	—
Rental income - related parties	26	25
Product sales	100	—
Product sales - related parties	3	—
Income from equity method investments	5	—
Other income	2	1
Other income - related parties	24	17
Total revenues and other income	609	201
Costs and expenses:		
Cost of revenues (excludes items below)	89	42
Purchased product costs	79	—
Rental cost of sales	14	—
Purchases - related parties	76	40
Depreciation and amortization	132	19
Impairment expense	129	—
General and administrative expenses	52	22
Other taxes	11	4
Total costs and expenses	582	127
Income from operations	27	74
Related party interest and other financial costs	1	—
Interest expense (net of amounts capitalized of $7 million and $1 million, respectively)	55	5
Other financial costs	12	1
(Loss) income before income taxes	(41)	68
Benefit for income taxes	(4)	—
Net (loss) income	(37)	68
Less: Net income attributable to noncontrolling interests and Predecessor	23	22
Net (loss) income attributable to MPLX LP	(60)	46
Less: General partner’s interest in net income attributable to MPLX LP	39	4
Limited partners’ interest in net (loss) income attributable to MPLX LP	$(99)	$42
Per Unit Data (See Note 6)		
Net (loss) income attributable to MPLX LP per limited partner unit:		
Common - basic	$(0.33)	$0.46
Common - diluted	(0.33)	0.46
Subordinated - basic and diluted	—	0.46
Weighted average limited partner units outstanding:		

Common - basic	300	43
Common - diluted	300	43
Subordinated - basic and diluted	—	37
Cash distributions declared per limited partner common unit	$0.5050	$0.4100

(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)	March 31, 2016	December 31, 2015[1]
Assets		
Current assets:		
Cash and cash equivalents	$4	$ 43
Receivables, net	250	245
Receivables - related parties	102	187
Inventories	45	51
Other current assets	28	50
Total current assets	429	576
Equity method investments	2,598	2,458
Property, plant and equipment, net	10,195	9,997
Intangibles, net	520	466
Goodwill	2,200	2,570
Long-term receivables - related parties	25	25
Other noncurrent assets	11	12
Total assets	$15,978	$ 16,104
Liabilities		
Current liabilities:		
Accounts payable	$105	$ 91
Accrued liabilities	159	187
Payables - related parties	512	54
Deferred revenue - related parties	35	32
Accrued property, plant and equipment	140	168
Accrued taxes	24	27
Accrued interest payable	56	54
Other current liabilities	14	12
Total current liabilities	1,045	625
Long-term deferred revenue	6	4
Long-term deferred revenue - related parties	9	9
Long-term debt	4,715	5,255
Deferred income taxes	382	378
Deferred credits and other liabilities	166	166
Total liabilities	6,323	6,437
Commitments and contingencies (see Note 18)		
Equity		
Common unitholders - public (251 million and 240 million units issued and outstanding)	7,805	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)	1,086	465
General partner - MPC (8 million and 7 million units issued and outstanding)	484	819
Equity of Predecessor	—	413
Total MPLX LP partners' capital	9,641	9,654
Noncontrolling interest	14	13
Total equity	9,655	9,667
Total liabilities and equity	$15,978	$ 16,104

(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 Cash Flows (Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015[1]
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net (loss) income	$(37)	$68
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	11	—
Depreciation and amortization	132	19
Impairment expense	129	—
Deferred income taxes	(4)	—
Equity in earnings from unconsolidated affiliates	(5)	—
Distributions from unconsolidated affiliates	38	—
Changes in:		
Current receivables	(5)	2
Inventories	1	—
Change in fair value of derivatives	12	—
Current accounts payable and accrued liabilities	(15)	2
Receivables from / liabilities to related parties	23	(18)
All other, net	15	(1)
Net cash provided by operating activities	295	72
Investing activities:		
Additions to property, plant and equipment	(291)	(35)
Investments - loans from (to) related parties	77	(8)
Investments in unconsolidated affiliates	(29)	—
All other, net	3	—
Net cash used in investing activities	(240)	(43)
Financing activities:		
Long-term debt - borrowings	306	528
- repayments	(857)	(415)
Related party debt - borrowings	1,437	—
- repayments	(1,007)	—
Debt issuance costs	—	(4)
Net proceeds from equity offerings	321	—
Distributions to unitholders and general partner	(190)	(33)
Distributions to noncontrolling interests	(1)	—
Contributions from noncontrolling interests	2	—
All other, net	(1)	—
Distributions to MPC from Predecessor	(104)	—
Net cash (used in) provided by financing activities	(94)	76
Net (decrease) increase in cash and cash equivalents	(39)	105
Cash and cash equivalents at beginning of period	43	27
Cash and cash equivalents at end of period	$4	$132

(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[1] Common Unitholders Public	Class B Unitholders Public	Common Unitholder MPC	Subordinated Unitholder MPC	General Partner MPC	Noncontrolling Interests[1]	Equity of Predecessor[1]	Total[1]
Balance at December 31, 2014	$639	—	$261	$217	$(660)	$6	$321	$784
Net income	12	—	11	19	4	—	22	68
Distributions to unitholders and general partner	(9)	—	(8)	(14)	(2)	—	—	(33)
Balance at March 31, 2015	$642	$—	$264	$222	$(658)	$6	$343	$819
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	(80)	—	(19)	—	39	—	23	(37)
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	(120)	—	(29)	—	(41)	—	—	(190)
Distributions to noncontrolling interest	—	—	—	—	—	(1)	—	(1)
Contributions from noncontrolling interest	—	—	—	—	—	2	—	2
Equity-based compensation	2	—	—	—	—	—	—	2
Deferred income tax impact from changes in equity	(3)	—	—	—	(2)	—	—	(5)
Balance at March 31, 2016	$7,805	$266	$1,086	$—	$484	$14	$—	$9,655

(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 products and Gathering and Processing ("G&P") focused on natural gas and NGLs. See Note 8 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 Hardin Street Marine LLC ("HSM"). HSM's related assets, liabilities and results of the 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 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. 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 agreement between HSM and MPC. The rental expense related to the HSM implicit lease is depreciation of the HSM assets. These revenues and costs from implicit leases are recorded as Rental income and Rental expenses, respectively, on the Consolidated Statements of Income. 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.

The accompanying 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 our Annual Report on Form 10-K for the year ended December 31, 2015. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year.

In preparing our consolidated statements of equity, net income attributable to MPLX LP is allocated to 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 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 standards update that eliminates the requirement to restate prior period financial statements for measurement period adjustments for business combinations. This update requires that the cumulative impact of a measurement period adjustment be recognized in the reporting period in which the adjustment is identified. The standard is effective for interim and annual periods beginning after December 15, 2015 with early application permitted. The Partnership adopted this standard during the three months ended March 31, 2016 and as a result recorded its measurement period adjustments in the first quarter 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 15 for further discussion and detail related to the adjustment.

In April 2015, the FASB issued an accounting standards 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 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required and early adoption is permitted. The adoption of this standard 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 standards 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 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Retrospective or prospective application is allowed and early adoption is permitted. The adoption of this standard 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 standards update making targeted changes to the current consolidation guidance. The new standard 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 update is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard did not have a material impact on the consolidated results of operations, financial position, cash flows or required disclosures.

Not Yet Adopted

In March 2016, the FASB issued an accounting standards update on the accounting for employee share-based payments. This 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, the update 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 standards update on lease accounting. This update requires lessees to put most leases on their balance sheets. The new standard also requires new disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The accounting standards update will be effective on a retrospective or modified retrospective basis for annual reporting periods beginning after December 15, 2018,

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and interim periods within those years, with early adoption permitted. The Partnership is in the process of determining the impact of the new standard on the consolidated financial statements, and expects such impact to be material.

In January 2016, the FASB issued an accounting standards 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 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 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 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 the amendment regarding presentation of the liability's credit risk. The Partnership is in the process of determining the impact of the new standard on the consolidated financial statements.

In August 2014, the FASB issued an accounting standards 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 date that the financial statements are issued. 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. This accounting standards update is effective for the first annual period ending after December 15, 2016, and for annual periods and interim periods thereafter with early application permitted. The adoption of this standard is not expected to have a material impact on the consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued an initial accounting standards update for revenue recognition, which has had subsequent updates. The new standard is aligned with the International Accounting Standards Board's revenue recognition standard. The guidance in the 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 accounting standards update will be effective on a retrospective or modified retrospective basis for annual reporting periods 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 new standard 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, 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 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 will not receive general partner distributions or incentive distribution rights that would otherwise accrue 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 transports light products, heavy oils, crude oil, renewable fuels, chemicals and feedstocks in the Midwest and U.S. Gulf Coast regions, accounts for nearly 60 percent of the total volumes MPC ships by inland marine vessels. 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. The following table presents the Partnership's previously reported Consolidated Statement of Income, retrospectively adjusted for the acquisition of HSM:

(In millions, except per unit data)	Three Months Ended March 31, 2015		
	MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Revenues and other income:			
Service revenue	$16	$ —	$ 16
Service revenue - related parties	111	31	142
Rental income - related parties	4	21	25
Other income	1	—	1
Other income - related parties	6	11	17
Total revenues and other income	138	63	201
Costs and expenses:			
Cost of revenues (excludes items below)	28	14	42
Purchases - related parties	24	16	40
Depreciation and amortization	12	7	19
General and administrative expenses	19	3	22
Other taxes	3	1	4
Total costs and expenses	86	41	127
Income from operations	52	22	74
Interest expense (net of amounts capitalized of $1 million)	5	—	5
Other financial costs	1	—	1
Income before income taxes	46	22	68
Net income	46	22	68
Less: Net income attributable to Predecessor	—	22	22
Net income attributable to MPLX LP	46	—	46
Less: General partner's interest in net income attributable to MPLX LP	4	—	4
Limited partners' interest in net income attributable to MPLX LP	$42	$ —	$ 42

The following table presents the Partnership's previously reported Consolidated Balance Sheet, retrospectively adjusted for the acquisition of HSM:

(In millions)	December 31, 2015		
	MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Assets			
Current assets:			
Cash and cash equivalents	$43	$—	$ 43
Receivables, net	244	1	245
Receivables - related parties	88	99	187
Inventories	49	2	51
Other current assets	50	—	50
Total current assets	474	102	576
Equity method investments	2,458	—	2,458
Property, plant and equipment, net	9,683	314	9,997
Intangibles, net	466	—	466
Goodwill	2,559	11	2,570
Long-term receivables - related parties	25	—	25
Other noncurrent assets	12	—	12
Total assets	$15,677	$427	$ 16,104
Liabilities			
Current liabilities:			
Accounts payable	$89	$2	$ 91
Accrued liabilities	186	1	187
Payables - related parties	47	7	54
Deferred revenue - related parties	32	—	32
Accrued property, plant and equipment	166	2	168
Accrued taxes	26	1	27
Accrued interest payable	54	—	54
Other current liabilities	12	—	12
Total current liabilities	612	13	625
Long-term deferred revenue	4	—	4
Long-term deferred revenue - related parties	9	—	9
Long-term debt	5,255	—	5,255
Deferred income taxes	377	1	378
Deferred credits and other liabilities	166	—	166
Total liabilities	6,423	14	6,437
Equity			
Common unitholders - public	7,691	—	7,691
Class B unitholders	266	—	266
Common unitholder - MPC	465	—	465
General partner - MPC	819	—	819
Equity of Predecessor	—	413	413
Total MPLX LP partners' capital	9,241	413	9,654
Noncontrolling interest	13	—	13
Total equity	9,254	413	9,667
Total liabilities and equity	$15,677	$427	$ 16,104

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

(In millions)	Three Months Ended March 31, 2015		
	MPLX LP (Previously Reported)	HSM	MPLX LP (Currently Reported)
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income	$46	$22	$ 68
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12	7	19
Changes in:			
Current receivables	2	—	2
Current accounts payable and accrued liabilities	5	(3)	2
Receivables from / liabilities to related parties	(5)	(13)	(18)
All other, net	(1)	—	(1)
Net cash provided by operating activities	59	13	72
Investing activities:			
Additions to property, plant and equipment	(30)	(5)	(35)
Investments - loans to related parties	—	(8)	(8)
Net cash used in investing activities	(30)	(13)	(43)
Financing activities:			
Long-term debt - borrowings	528	—	528
- repayments	(415)	—	(415)
Debt issuance costs	(4)	—	(4)
Distributions to unitholders and general partner	(33)	—	(33)
Net cash provided by financing activities	76	—	76
Net increase in cash and cash equivalents	105	—	105
Cash and cash equivalents at beginning of period	27	—	27
Cash and cash equivalents at end of period	$132	$—	$ 132

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 on July 1, 2016 and 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 will be paid in equal amounts in July 2016 and 2017 in connection with the conversion of the Class B units to common units of MPLX LP. The Partnership's financial results and operating statistics 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
Payable to MarkWest Class B unitholders	50
Total fair value of consideration transferred	$8,606

The following table summarizes the preliminary 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 estimated fair value of assets acquired and liabilities and noncontrolling interests assumed at the acquisition date as of March 31, 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 quarter 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. The Partnership is still completing its analysis of the final purchase price allocation. As further discussed in Note 15, the Partnership recorded a goodwill impairment charge based on the implied fair value of goodwill as of the interim impairment analysis date. Therefore, any future adjustments to the purchase price allocation may be offset by adjustments to the Impairment expense line item in the Consolidated Statements of Income.

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 three months ended March 31, 2016, in Depreciation and amortization in the Consolidated Statements of Income, that would have been recorded for the year ended December 31, 2015, 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 resulted in a material effect to 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 12.

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 March 31, 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. 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.

(In millions, except per unit data)	Three Months Ended March 31, 2015
Revenues and other income	$ 664
Net income attributable to MPLX LP	64
Net income attributable to MPLX LP per unit - basic	0.19
Net income attributable to MPLX LP per unit - diluted	0.18

The unaudited pro forma information includes adjustments primarily to align accounting policies, to adjust depreciation expense to reflect the fair value of property, plant and equipment, increase amortization expense related to identifiable intangible assets, adjust interest expense related to the fair value of MarkWest's long-term debt, as well as the related income tax effects.

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 for the period ended March 31, 2015 related to MarkWest Utica EMG are as follows:

(in millions)	Three Months Ended March 31, 2015
Revenues and other income	$ 33
Cost of revenue excluding depreciation and amortization	7
Depreciation and amortization	16
Net income attributable to noncontrolling interest	14
Net loss	(4)

EMG Utica, LLC (“EMG Utica”), a joint venture partner in MarkWest Utica EMG, received a special non-cash allocation of income of approximately $10 million for the period ended March 31, 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 March 31, 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 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 March 31, 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 for the period ended March 31, 2016.

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 March 31, 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 March 31, 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 March 31, 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 period ended March 31, 2016 was $2 million 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 period ended March 31, 2016 was approximately $4 million and is reported as Other income-related parties in the Consolidated Statements of Income.

Ohio Condensate

In December 2013, MarkWest formed Utica Condensate for the purpose of engaging in wellhead condensate gathering, stabilization, terminalling, storage and marketing in Ohio. As of March 31, 2016, the Partnership owned 100 percent of Utica Condensate. Utica Condensate's business is conducted solely through its subsidiary, Ohio Condensate Company L.L.C. ("Ohio Condensate"), which is a joint venture between Utica Condensate and Summit. As of March 31, 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 period ended March 31, 2016 was $1 million and is reported as Other income-related parties in the Consolidated Statements of Income.

Summarized financial information for the period ended March 31, 2016 for equity method investments is as follows:

(In millions)	MarkWest Utica EMG [(1)]	Other VIEs	Non-VIEs	Total
Income statement data:				
Revenue	61	5	20	86
Income from operations	39	1	7	47
Net income	23	1	5	29
Balance sheet data:				
Current assets	125	8	56	189
Noncurrent assets	2,215	176	373	2,764
Current liabilities	95	6	24	125
Noncurrent liabilities	2	15	—	17

(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 $798 million as of March 31, 2016.

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

(In millions)	Non-VIEs	Total

	MarkWest Utica EMG [1]	Other VIEs		
Balance sheet data:				
Current assets	113	7	30	150
Noncurrent assets	2,207	169	243	2,619
Current liabilities	77	7	18	102
Noncurrent liabilities	1	12	—	13

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(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 $781 million as of December 31, 2015.

As of March 31, 2016 and December 31, 2015, the carrying value of the Partnership’s equity method investments was $1.1 billion and $961 million, respectively, higher than the underlying net assets of the investees. The increase is due to the measurement period adjustments discussed in Note 3 that were recorded during the quarter ended March 31, 2016. This basis difference is being amortized or accreted into net income over the remaining estimated useful lives of the underlying net assets, except for $469 million of excess related to goodwill.

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.
- 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 the county of 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 three months ended March 31, 2016, the Partnership borrowed $1.4 billion and repaid $1.0 billion, for an outstanding balance at March 31, 2016 of $438 million, which is included in Payables-related parties on the Consolidated Balance Sheets. 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

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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 guaranteed supply agreement with MPC on January 1, 2015 for the supply of fuel for use by HSM's towing vessels and barges. HSM must purchase the fuel on a ratable basis throughout the initial term or any successor term or MPC may reduce the sales volume on a pro-rated basis for each successive renewal term. The guaranteed supply agreement has an initial term of one year and automatically renews for successive one year renewal terms unless either party provides the other party with written notice of non-renewal at least 60 days prior to the end of the then-current term.

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, under an employee services agreement, HSM employees were transferred to Marathon Petroleum Logistics Services LLC ("MPLS"), a wholly owned subsidiary of MPC. 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.

Related Party Transactions

Sales to related parties were as follows:

	Three Months Ended March 31,	
(In millions)	2016	2015
Service revenues		
MPC	$150	$142
Rental income		
MPC	$26	$25
Product sales		
MPC	$3	$—

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.

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

(In millions)	Three Months Ended March 31, 2016	2015
MPC	$ 17	$ 16
MarkWest Utica EMG	2	—
Ohio Gathering	4	—
Ohio Condensate	1	—
Centennial	—	1
Total	$ 24	$ 17

MPC provides executive management services and certain general and administrative services to the Partnership under the terms of an omnibus agreement. Expenses incurred under these agreements 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 March 31, 2016	2015
Purchases - related parties	$ 6	$ 7
General and administrative expenses	8	11
Total	14	18

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:

(In millions)	Three Months Ended March 31, 2016	2015
MPC	$ 9	$ 2

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:

(In millions)	Three Months Ended March 31, 2016	2015
Purchases - related parties	$70	$ 33
General and administrative expenses	21	7
Total	$91	$ 40

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Receivables from related parties were as follows:

(In millions)	March 31, 2016	December 31, 2015
MPC	$ 96	$ 175
MarkWest Utica EMG	1	4
Ohio Gathering	3	5
Other	2	3
Total	$ 102	$ 187

Long-term receivables related to reimbursements from the MarkWest Merger to be provided by MPC for the conversion of Class B units were as follows:

(In millions)	March 31, 2016	December 31, 2015
MPC	$ 25	$ 25

Payables to related parties were as follows:

(In millions)	March 31, 2016	December 31, 2015
MPC	$ 491	$ 33
MarkWest Utica EMG	21	21
Total	$ 512	$ 54

During the three months ended March 31, 2016 and 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)	March 31, 2016	December 31, 2015
Minimum volume deficiencies - MPC	$ 38	$ 36
Project reimbursements - MPC	6	5
Total	$ 44	$ 41

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, 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 months ended March 31, 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 months ended

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March 31, 2015 is the same as basic net income (loss) per limited partner unit since the inclusion of the any potential common units would have been anti-dilutive. Potential common shares omitted from the diluted earnings per unit calculation was approximately 10 million.

(In millions)	Three Months Ended March 31, 2016	2015
Net (loss) income attributable to MPLX LP	$(60)	$ 46
Less: General partner's distributions declared (including IDRs)[1]	44	4
Limited partners' distributions declared on common units[1]	156	18
Limited partner's distributions declared on subordinated units[1]	—	15
Undistributed net (loss) income attributable to MPLX LP	$(260)	$ 9

[1] See Note 7 for distribution information.

(In millions, except per unit data)	Three Months Ended March 31, 2016 General Partner	Limited Partners' Common 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)	$44	$ 156	$200
Undistributed net loss attributable to MPLX LP	(5)	(255)	(260)
Net income (loss) attributable to MPLX LP [1]	$39	$ (99)	$(60)
Weighted average units outstanding:			
Basic	7	300	307
Diluted	7	300	307
Net loss attributable to MPLX LP per limited partner unit:			
Basic		$ (0.33)	
Diluted		$ (0.33)	

(In millions, except per unit data)	Three Months Ended March 31, 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)	$4	$ 18	$ 15	$ 37
Undistributed net income attributable to MPLX LP	5	2	2	9
Net income attributable to MPLX LP [1]	$9	$ 20	$ 17	$ 46
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		$ 0.46	$ 0.46	

Diluted	$ 0.46	$ 0.46

(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.

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7. Equity

Units Outstanding – After giving effect to the common units and general partner units issued in connection with the HSM acquisition described in Note 3, the Partnership had 331,280,516 common units outstanding as of March 31, 2016. Of that number, 79,466,136 were owned by MPC, which also owned the two percent general partner interest, represented by 7,506,460 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 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 three months ended March 31, 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 March 31, 2016 are summarized below:

(In units)	Common	Class B	General Partner	Total
Balance at December 31, 2015	296,687,176	7,981,756	6,800,475	311,469,407
Unit-based compensation awards[(1)]	34,338	—	701	35,039
Issuance of units under the ATM Program[(2)]	12,025,000	—	245,406	12,270,406
Contribution of HSM[(3)]	22,534,002	—	459,878	22,993,880
Balance at March 31, 2016	331,280,516	7,981,756	7,506,460	346,768,732

(1) As a result of the unit-based compensation awards issued during the period, MPLX GP contributed less than $1 million in exchange for 701 general partner units to maintain its two percent general partner interest.

(2) 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.

(3) 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. See Note 19 for information on the issuance of Series A Convertible Preferred Units.

Net (Loss) Income Allocation – In preparing the Consolidated Statements of Equity, net (loss) income attributable to MPLX LP is allocated to the 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:

(In millions)	Three Months Ended March 31, 2016	2015
Net (loss) income attributable to MPLX LP	$(60)	$ 46
Less: General partner's incentive distribution rights and other	41	3
Net (loss) income attributable to MPLX LP available to general and limited partners	$(101)	$ 43
General partner's two percent interest in net (loss) income attributable to MPLX LP	$(2)	$ 1
General partner's incentive distribution rights and other	41	3
General partner's interest in net income attributable to MPLX LP	$39	$ 4

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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 April 19, 2016, the Partnership declared a quarterly cash distribution of $0.5050 per unit, resulting in total distributions of $200 million. These distributions will be paid on May 13, 2016 to unitholders of record on May 3, 2016.

The allocation of total quarterly cash distributions to general and limited partners is as follows for the three months ended March 31, 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.

	Three Months Ended March 31,	
(In millions)	2016	2015
General partner's distributions:		
General partner's distributions	$4	$ 1
General partner's incentive distribution rights distributions	40	3
Total general partner's distributions	$44	$ 4
Limited partners' distributions:		
Common unitholders	$156	$ 18
Subordinated unitholders	—	15
Total limited partners' distributions	156	33
Total cash distributions declared	$200	$ 37

8. 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 al