

MPLX LP
Form 10-Q
October 31, 2016
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2016

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

For the transition period from _____ to _____

Commission file number 001-35714

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

Delaware 27-0005456
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 No

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

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

Large accelerated filer Accelerated filer

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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

MPLX LP had 348,489,049 common units, 3,990,878 Class B units and 7,193,467 general partner units outstanding at October 27, 2016.

Table of Contents

MPLX LP
 Form 10-Q
 Quarter Ended September 30, 2016

INDEX

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements:</u>	
<u>Consolidated Statements of Income (Unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Equity (Unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>44</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>70</u>
<u>Item 4. Controls and Procedures</u>	<u>73</u>
 <u>PART II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>74</u>
<u>Item 1A. Risk Factors</u>	<u>75</u>
Item 2. Unregistered Sales of Equity Securities	<u>76</u>
Item 5. Other Information	<u>77</u>
<u>Item 6. Exhibits</u>	<u>78</u>
<u>Signatures</u>	<u>79</u>

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

Table of Contents

Glossary of Terms

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

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

Table of Contents

Part I—Financial Information

Item 1. Financial Statements

MPLX LP

Consolidated Statements of Income (Unaudited)

	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾
(In millions, except per unit data)				
Revenues and other income:				
Service revenue	\$250	\$18	\$712	\$50
Service revenue - related parties	153	152	448	446
Rental income	77	—	218	—
Rental income - related parties	29	25	84	75
Product sales	157	—	394	—
Product sales - related parties	2	—	8	—
Gain on sale of assets	1	—	1	—
Income (loss) from equity method investments	6	—	(72) —
Other income	2	1	5	4
Other income - related parties	26	18	78	53
Total revenues and other income	703	214	1,876	628
Costs and expenses:				
Cost of revenues (excludes items below)	90	59	263	147
Purchased product costs	117	—	310	—
Rental cost of sales	11	—	39	—
Purchases - related parties	84	43	238	123
Depreciation and amortization	138	19	407	58
Impairment expense	—	—	130	—
General and administrative expenses	46	25	147	68
Other taxes	10	—	32	8
Total costs and expenses	496	146	1,566	404
Income from operations	207	68	310	224
Related party interest and other financial costs	—	—	1	—
Interest expense (net of amounts capitalized of \$7 million, \$1 million, \$21 million and \$3 million, respectively)	51	4	158	15
Other financial costs	13	1	37	2
Income before income taxes	143	63	114	207
Benefit for income taxes	—	—	(12) —
Net income	143	63	126	207
Less: Net income attributable to noncontrolling interests	2	—	3	1
Less: Net income attributable to Predecessor	—	22	23	68
Net income attributable to MPLX LP	141	41	100	138
Less: Preferred unit distributions	16	—	25	—
Less: General partner's interest in net income attributable to MPLX LP	51	8	136	19
Limited partners' interest in net income (loss) attributable to MPLX LP	\$74	\$33	\$(61	) \$119
Per Unit Data (See Note 6)				
Net income (loss) attributable to MPLX LP per limited partner unit:				
Common - basic	\$0.22	\$0.41	\$(0.19) \$1.42
Common - diluted	0.21	0.41	(0.19) 1.42

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Subordinated - basic and diluted	—	—	—	1.36
Weighted average limited partner units outstanding:				
Common - basic	341	80	324	56
Common - diluted	346	80	324	56
Subordinated - basic and diluted	—	—	—	25
Cash distributions declared per limited partner common unit	\$0.5150	\$0.4700	\$1.5300	\$1.3200

(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.

3

Table of Contents

MPLX LP

Consolidated Balance Sheets (Unaudited)

(In millions)	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 208	\$ 43
Receivables, net	289	245
Receivables - related parties	106	187
Inventories	50	51
Other current assets	33	50
Total current assets	686	576
Equity method investments	2,475	2,458
Property, plant and equipment, net	10,537	9,997
Intangibles, net	501	466
Goodwill	2,199	2,570
Long-term receivables - related parties	3	25
Other noncurrent assets	14	12
Total assets	\$ 16,415	\$ 16,104
Liabilities		
Current liabilities:		
Accounts payable	\$ 107	\$ 91
Accrued liabilities	193	187
Payables - related parties	68	54
Deferred revenue - related parties	35	32
Accrued property, plant and equipment	157	168
Accrued taxes	37	27
Accrued interest payable	55	54
Other current liabilities	18	12
Total current liabilities	670	625
Long-term deferred revenue	12	4
Long-term deferred revenue - related parties	12	9
Long-term debt	4,411	5,255
Deferred income taxes	5	378
Deferred credits and other liabilities	151	166
Total liabilities	5,261	6,437
Commitments and contingencies (see Note 19)		
Redeemable preferred units	1,000	—
Equity		
Common unitholders - public (262 million and 240 million units issued and outstanding)	7,898	7,691
Class B unitholders (4 million and 8 million units issued and outstanding)	133	266
Common unitholder - MPC (87 million and 57 million units issued and outstanding)	1,097	465
General partner - MPC (7 million units issued and outstanding)	1,009	819
Equity of Predecessor	—	413
Total MPLX LP partners' capital	10,137	9,654
Noncontrolling interest	17	13
Total equity	10,154	9,667
Total liabilities, preferred units and equity	\$ 16,415	\$ 16,104

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

4

Table of Contents

MPLX LP

Consolidated Statements of Cash Flows (Unaudited)

(In millions)	Nine Months Ended September 30, 2016	2015 ⁽¹⁾
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income	\$ 126	\$ 207
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	34	1
Depreciation and amortization	407	58
Impairment expense	130	—
Deferred income taxes	(16)	(1)
Asset retirement expenditures	(3)	(1)
Net gain on disposal of assets	(1)	—
Loss from equity method investments	72	—
Distributions from unconsolidated affiliates	111	—
Changes in:		
Current receivables	(44)	(2)
Inventories	(4)	—
Change in fair value of derivatives	28	—
Current accounts payable and accrued liabilities	59	12
Receivables from / liabilities to related parties	15	(18)
All other, net	18	2
Net cash provided by operating activities	932	258
Investing activities:		
Additions to property, plant and equipment	(874)	(129)
Investments - loans from (to) related parties	77	(64)
Investments in unconsolidated affiliates	(56)	—
All other, net	4	2
	(849)	(191)

Net cash used in investing activities				
Financing activities:				
Long-term debt - borrowings	434		528	
-				
repayments	(1,312)	)	(416))
Related party debt - borrowings	2,215		—	
-				
repayments	(2,223))	—)
Debt issuance costs	—		(4))
Net proceeds from equity offerings	510		1	
Issuance of redeemable preferred units	984		—	
Distributions to preferred unitholders	(9))	—)
Distributions to unitholders and general partner	(612)	)	(111))
Distributions to noncontrolling interests	(3)	)	(1))
Contributions from noncontrolling interests	4		—	
Consideration payment to Class B unitholders	(25))	—)
All other, net	(2))	—)
Contribution from MPC	225		—	
Distributions to MPC from Predecessor	(104)	)	(1))
Net cash provided by (used in) financing activities	82		(4))
Net increase in cash and cash equivalents	165		63	
Cash and cash equivalents at beginning of period	43		27	
Cash and cash equivalents at end of period	\$ 208		\$ 90	

(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.

Table of Contents

MPLX LP

Consolidated Statements of Equity (Unaudited)

(In millions)	Partnership							Equity of Predecessor ⁽¹⁾	Total
	Common Unitholder Public	Class B Unitholder Public	Common Unitholder MPC	Subordinated Unitholder MPC	General Partner MPC	Noncontrolling Interests			
Balance at December 31, 2014	\$639	\$ —	\$ 261	\$ 217	\$ (660)	\$ 6	\$ 321	\$784	
Issuance of units under ATM program	1	—	—	—	—	—	—	1	
Net income	35	—	36	48	19	1	68	207	
Distributions to unitholders and general partner	(29)	—	(25)	(45)	(12)	—	—	(111)	
Distributions to noncontrolling interests	—	—	—	—	—	(1)	—	(1)	
Subordinated unit conversion	—	—	220	(220)	—	—	—	—	
Distributions to MPC from Predecessor	—	—	—	—	—	—	(1)	(1)	
Equity-based compensation	1	—	—	—	—	—	—	1	
Balance at September 30, 2015	\$647	\$ —	\$ 492	\$ —	\$ (653)	\$ 6	\$ 388	\$880	
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	499	—	—	—	11	—	—	510	
Net (loss) income	(51)	—	(10)	—	136	3	23	101	
Contribution from MPC	—	—	84	—	141	—	—	225	
Distribution of MarkWest Hydrocarbon to MPC	—	—	—	—	565	—	—	565	
Contribution of MarkWest Hydrocarbon from MPC	—	—	—	—	(188)	—	—	(188)	
Allocation of MPC's net investment at acquisition	—	—	669	—	(337)	—	(332)	—	
Distributions to unitholders and general partner	(378)	—	(98)	—	(136)	—	—	(612)	
Distributions to noncontrolling interest	—	—	—	—	—	(3)	—	(3)	
Contributions from noncontrolling interest	—	—	—	—	—	4	—	4	
Class B unit conversion	133	(133)	—	—	—	—	—	—	
Equity-based compensation	6	—	—	—	—	—	—	6	
Deferred income tax impact from changes in equity	(2)	—	(13)	—	(2)	—	—	(17)	
Balance at September 30, 2016	\$7,898	\$ 133	\$ 1,097	\$ —	\$ 1,009	\$ 17	\$ —	\$10,154	

(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.

Table of Contents

Notes to Consolidated Financial Statements (Unaudited)

1. Description of the Business and Basis of Presentation

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

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

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

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

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

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

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

Table of Contents

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

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

2. Accounting Standards

Recently Adopted

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

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

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

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

consolidated results of operations, financial position or cash flows.

Not Yet Adopted

In August 2016, the FASB issued an accounting standard update related to the classification of certain cash flows. This accounting standard update provides classification solutions for eight different cash flow items including: debt prepayment/extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The change is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Partnership does not expect application of this accounting standard update to have a material impact on the consolidated statements of cash flows.

8

Table of Contents

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

In March 2016, the FASB issued an accounting standard update on the accounting for employee share-based payments. This accounting standard update requires the recognition of income tax effects of awards through the income statement when awards vest or are settled. It will also increase the amount an employer can withhold for tax purposes without triggering liability accounting. Lastly, it allows employers to make a policy election to account for forfeitures as they occur. The changes are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. The Partnership does not expect application of this accounting standard update to have a material impact on the consolidated financial statements.

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

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

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

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

3. Acquisitions

Acquisition of Hardin Street Marine LLC

On March 14, 2016, the Partnership entered into a Membership Interests Contribution Agreement (the “Contribution Agreement”) with MPLX GP LLC (“MPLX GP”), MPLX Logistics Holdings LLC and MPC Investment LLC (“MPC Investment”), each a wholly-owned subsidiary of MPC, related to the acquisition of HSM, MPC’s inland marine business, from MPC. Pursuant to the Contribution Agreement, the transaction was valued at \$600 million consisting of a fixed number of common units and general partner units of 22,534,002 and 459,878, respectively. The general partner units maintain MPC’s two percent general partner interest in the Partnership. The acquisition closed on March 31, 2016 and the fair value of the common 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 LP common units issued in connection with this transaction. MPC did not receive general partner distributions or incentive distribution rights that would have otherwise accrued on such MPLX LP common units with respect to the first quarter distributions. The value of these waived distributions was \$15 million.

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

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

(In millions)	Three Months Ended September 30, 2015		
	MPLX LP (Previously Reported)	HSM (Currently Reported)	MPLX LP (Currently Reported)
Revenues and other income:			
Service revenue	\$ 18	\$ —	\$ 18
Service revenue - related parties	119	33	152
Rental income - related parties	4	21	25
Other income	1	—	1
Other income - related parties	7	11	18
Total revenues and other income	149	65	214
Costs and expenses:			
Cost of revenues (excludes items below)	42	17	59
Purchases - related parties	27	16	43
Depreciation and amortization	13	6	19
General and administrative expenses	21	4	25
Other taxes	—	—	—
Total costs and expenses	103	43	146
Income from operations	46	22	68
Interest expense (net of amounts capitalized of \$1 million)	4	—	4
Other financial costs	1	—	1
Income before income taxes	41	22	63
Net income	41	22	63
Less: Net income attributable to noncontrolling interests	—	—	—
Less: Net income attributable to Predecessor	—	22	22
Net income attributable to MPLX LP	41	—	41
Less: General partner's interest in net income attributable to MPLX LP	8	—	8
Limited partners' interest in net income attributable to MPLX LP	\$ 33	\$ —	\$ 33

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(In millions)	Nine Months Ended September 30, 2015		
	MPLX LP (Previously Reported)	HSM (Currently Reported)	MPLX LP (Currently Reported)
Revenues and other income:			
Service revenue	\$50	\$	—\$ 50
Service revenue - related parties	349	97	446
Rental income - related parties	12	63	75
Other income	4	—	4
Other income - related parties	19	34	53
Total revenues and other income	434	194	628
Costs and expenses:			
Cost of revenues (excludes items below)	101	46	147
Purchases - related parties	75	48	123
Depreciation and amortization	38	20	58
General and administrative expenses	58	10	68
Other taxes	6	2	8
Total costs and expenses	278	126	404
Income from operations	156	68	224
Interest expense (net of amounts capitalized of \$3 million)	15	—	15
Other financial costs	2	—	2
Income before income taxes	139	68	207
Net income	139	68	207
Less: Net income attributable to noncontrolling interests	1	—	1
Less: Net income attributable to Predecessor	—	68	68
Net income attributable to MPLX LP	138	—	138
Less: General partner's interest in net income attributable to MPLX LP	19	—	19
Limited partners' interest in net income attributable to MPLX LP	\$119	\$	—\$ 119

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

(In millions)	Nine Months Ended September 30, 2015		
	MPLX LP (Previously Reported)	HSM (Previously Reported)	MPLX LP (Currently Reported)
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income	\$ 139	\$ 68	\$ 207
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred financing costs	1	—	1
Depreciation and amortization	38	20	58
Deferred income taxes	—	(1)	(1)
Asset retirement expenditures	(1)	—	(1)
Changes in:			
Current receivables	(2)	—	(2)
Current accounts payable and accrued liabilities	13	(1)	12
Receivables from / liabilities to related parties	(4)	(14)	(18)
All other, net	1	1	2
Net cash provided by operating activities	185	73	258
Investing activities:			
Additions to property, plant and equipment	(121)	(8)	(129)
Investments - loans to related parties	—	(64)	(64)
All other, net	2	—	2
Net cash used in investing activities	(119)	(72)	(191)
Financing activities:			
Long-term debt - borrowings	528	—	528
- repayments	(416)	—	(416)
Debt issuance costs	(4)	—	(4)
Net proceeds from equity offerings	1	—	1
Distributions to unitholders and general partner	(111)	—	(111)
Distributions to MPC from Predecessor	—	(1)	(1)
Distributions to noncontrolling interests	(1)	—	(1)
Net cash used in financing activities	(3)	(1)	(4)
Net increase in cash and cash equivalents	63	—	63
Cash and cash equivalents at beginning of period	27	—	27
Cash and cash equivalents at end of period	\$ 90	\$ —	\$ 90

Purchase of MarkWest Energy Partners, L.P.

On December 4, 2015, a wholly-owned subsidiary of the Partnership merged with MarkWest. Each common unit of MarkWest issued and outstanding immediately prior to the effective time of the MarkWest Merger was converted into a right to receive 1.09 common units representing limited partner interests in MPLX LP, plus a one-time cash payment of \$6.20 per unit. Each Class B unit of MarkWest issued and outstanding immediately prior to the effective time of the MarkWest Merger was converted into the right to receive one Class B unit of MPLX LP. Each Class B unit of MPLX LP will convert into 1.09 common units of MPLX LP and the right to receive \$6.20 in cash, and the conversion of the Class B units will occur in equal installments, the first of which occurred on July 1, 2016 and the second of which will occur on July 1, 2017. MPC contributed approximately \$1.3 billion of cash to the Partnership to pay the aggregate

cash consideration to MarkWest unitholders, without receiving any new equity in exchange. At closing, MPC made a payment of \$1.2 billion to MarkWest common unitholders and the remaining \$50 million is payable in equal amounts, the first of which was paid in July 2016 and the second of which will be

13

paid in July 2017, in connection with the conversion of the remaining outstanding Class B units to MPLX LP common units. The Partnership's financial results reflect the results of MarkWest from the date of the acquisition.

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

(In millions)

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

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

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

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

of the impairment expense recorded, as more fully discussed in Note 16.

14

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 nine months ended September 30, 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 had a material effect on the income from equity method investments had the fair value adjustment been recorded as of December 4, 2015.

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

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

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

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

Unaudited Pro Forma Financial Information

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

(In millions, except per unit data)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Revenues and other income	\$ 689	\$ 2,021
Net income attributable to MPLX LP	107	160
Net income attributable to MPLX LP per unit - basic	0.17	0.08
Net income attributable to MPLX LP per unit - diluted	0.17	0.08

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

MarkWest has a 60 percent legal ownership interest in MarkWest Utica EMG. MarkWest Utica EMG's inability to fund its planned activities without subordinated financial support qualify it as a VIE. The financing structure for MarkWest Utica EMG at its inception resulted in a de-facto agent relationship under which MarkWest was deemed to be the primary beneficiary of MarkWest Utica EMG. Therefore, MarkWest consolidated MarkWest Utica EMG in its historical financial statements. In the fourth quarter of 2015, based on economic conditions and other pertinent factors, the accounting for its investment in

15

MarkWest Utica EMG was re-assessed. As of December 4, 2015, the entity has been deconsolidated. For purposes of this pro forma financial information, MarkWest Utica EMG has been consolidated for the period prior to the acquisition consistent with its treatment in the historical periods presented.

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

(In millions)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Revenues and other income	\$ 47	\$ 114
Cost of revenue excluding depreciation and amortization	8	22
Depreciation and amortization	17	49
Net income attributable to noncontrolling interest	20	49
Net income (loss)	1	(8)

EMG Utica, LLC (“EMG Utica”), a joint venture partner in MarkWest Utica EMG, received a special non-cash allocation of income of approximately \$11 million and \$32 million for the three and nine months ended September 30, 2015. See Note 4 for a description of the transaction and its impact on the financial statements. Net income of MarkWest would not have changed had MarkWest Utica EMG been deconsolidated for the period ended September 30, 2015.

Investment in Pipeline Company

The Partnership currently expects to participate in a joint venture with Enbridge Energy Partners L.P. (“Enbridge Energy Partners”) to acquire a 9.1875 percent indirect ownership interest in the Dakota Access Pipeline (“DAPL”) and Energy Transfer Crude Oil Company Pipeline (“ETCOP”) projects, collectively referred to as the Bakken Pipeline system, from Energy Transfer Partners, L.P. (“ETP”) and Sunoco Logistics Partners, L.P. (“SXL”) for \$500 million. Furthermore, MPC expects to become a committed shipper on the Bakken Pipeline system under terms of an on-going open season. The acquisition remains subject to certain closing conditions and is expected to close in the fourth quarter of 2016.

The Bakken Pipeline system is currently expected to deliver in excess of 470,000 barrels per day of crude oil from the Bakken/ Three Forks production area in North Dakota to the Midwest through Patoka, Illinois and ultimately to the Gulf Coast.

ETP and SXL collectively own a 75 percent interest in each of the two joint ventures that are developing the Bakken Pipeline system. MPLX LP and Enbridge Energy Partners will participate in a new joint venture to acquire 49 percent of ETP and SXL’s 75 percent indirect interest in the Bakken Pipeline system. MPLX LP will own 25 percent of this new joint venture with Enbridge, which results in a 9.1875 percent indirect ownership interest in the Bakken pipeline system. The Partnership expects to account for the investment as part of the L&S segment using the equity method of accounting.

4. Equity Method Investments

MarkWest Utica EMG

Effective January 1, 2012, MarkWest Utica Operating Company, LLC (“Utica Operating”), a wholly-owned and consolidated subsidiary of MarkWest, and EMG Utica (together the “Members”) executed agreements to form a joint

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

contributed approximately \$999 million and Utica Operating has contributed approximately \$1.5 billion to MarkWest Utica EMG.

Under the Amended LLC Agreement, after EMG Utica has contributed more than \$500 million to MarkWest Utica EMG and prior to December 31, 2016, EMG Utica's investment balance will also be increased by a quarterly special non-cash allocation of income ("Preference Amount") that is based upon the amount of capital contributed by EMG Utica in excess of \$500 million. No Preference Amount will accrue to EMG Utica's investment balance after December 31, 2016. EMG Utica received a special non-cash allocation of income of approximately \$4 million and approximately \$12 million for the three and nine months ended September 30, 2016, respectively.

Under the Amended LLC Agreement, Utica Operating will continue to receive 60 percent of cash generated by MarkWest Utica EMG that is available for distribution until the earlier of December 31, 2016 and the date on which Utica Operating's investment balance equals 60 percent of the aggregate investment balances of the Members. After the earlier of those dates, cash generated by MarkWest Utica EMG that is available for distribution will be allocated to the Members in proportion to their respective investment balances. As of September 30, 2016, Utica Operating's investment balance in MarkWest Utica EMG was approximately 56 percent.

MarkWest Utica EMG is deemed to be a VIE. As of the date of the MarkWest Merger, Utica Operating is not deemed to be the primary beneficiary due to EMG Utica's voting rights on significant matters. The Partnership's portion of MarkWest Utica EMG's net assets, which was \$2.2 billion at September 30, 2016, is reported under the caption Equity method investments on the Consolidated Balance Sheets (see basis differential discussion below). The Partnership's maximum exposure to loss as a result of its involvement with MarkWest Utica EMG includes its equity investment, any additional capital contribution commitments and any operating expenses incurred by the subsidiary operator in excess of its compensation received for the performance of the operating services. The Partnership did not provide any financial support to MarkWest Utica EMG that it was not contractually obligated to provide during the period ended September 30, 2016. The Partnership receives management fee revenue for engineering and construction, administrative and personnel services ("Operational Service revenue") for operating MarkWest Utica EMG. The amount of Operational Service revenue related to MarkWest Utica EMG for the three and nine months ended September 30, 2016 was \$5 million and \$12 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

Ohio Gathering

Ohio Gathering is a subsidiary of MarkWest Utica EMG and is engaged in providing natural gas gathering services in the Utica Shale in eastern Ohio. Ohio Gathering is a joint venture between MarkWest Utica EMG and Summit Midstream Partners, LLC ("Summit"). As Ohio Gathering is a subsidiary of MarkWest Utica EMG, which is accounted for as an equity method investment, the Partnership reports its portion of Ohio Gathering's net assets as a component of its investment in MarkWest Utica EMG. The Partnership receives Operational Service revenue for operating Ohio Gathering. The amount of Operational Service revenue related to Ohio Gathering for the three and nine months ended September 30, 2016 was approximately \$5 million and \$12 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

Ohio Condensate

In December 2013, MarkWest formed MarkWest Utica EMG Condensate L.L.C. ("Utica Condensate") for the purpose of engaging in wellhead condensate gathering, stabilization, terminalling, storage and marketing in Ohio. As of September 30, 2016, the Partnership owned 100 percent of Utica Condensate. Utica Condensate's business is conducted solely through its subsidiary, Ohio Condensate, which is a joint venture between Utica Condensate and Summit. As of September 30, 2016, Utica Condensate owned 60 percent of Ohio Condensate. The Partnership accounts for Ohio Condensate, which is a VIE, as an equity method investment as MPLX LP exercises significant

influence, but does not control Ohio Condensate and is not its primary beneficiary due to Summit's voting rights on significant matters. The Partnership's portion of Ohio Condensate's net assets are reported under the caption Equity method investments on the Consolidated Balance Sheets. The Partnership receives Operational Service revenue for operating Ohio Condensate. The amount of Operational Service revenue related to Ohio Condensate for the three and nine months ended September 30, 2016 was \$1 million and \$3 million, respectively, and is reported as Other income-related parties in the Consolidated Statements of Income.

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

(In millions)	Nine Months Ended September 30, 2016				
	MarkWest		Other Non-VIEs	Total	
	Utica EMG	Ohio Condensate			
					(1)
Revenue and other income	\$ 165	\$ 13	\$ —	\$ 106	\$ 284
Gross margin	165	13	—	52	230
Income (loss) from operations	95	(94)	) —	28	29
Net income (loss)	94	(94)	) —	28	28
Income (loss) from equity method investments ⁽²⁾	10	(88)	) —	6	(72)

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

(In millions)	September 30, 2016				
	MarkWest		Other Non-VIEs	Total	
	Utica EMG	Ohio Condensate			
					(1)
Current assets	\$ 50	\$ 3	\$ 1	\$ 34	\$ 88
Noncurrent assets	2,183	32	70	383	2,668
Current liabilities	22	4	—	21	47
Noncurrent liabilities	2	14	—	—	16

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

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

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

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

During the second quarter of 2016, forecasts for Ohio Condensate were reduced to align with updated forecasts for customer requirements. As the operator of that entity responsible for maintaining its financial records, the Partnership

completed a fixed asset impairment analysis as of June 30, 2016, in accordance with ASC Topic 360, to determine the potential fixed asset impairment charge. The resulting fixed asset impairment charge recorded within Ohio Condensate's financial statements was \$96 million. Based on the Partnership's 60 percent ownership of Ohio Condensate, approximately \$58 million was recorded in the second quarter of 2016 in Income (loss) from equity method investments on the accompanying Consolidated Statements of Income.

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

18

Consolidated Statements of Income, which eliminated the basis differential established in connection with the MarkWest Merger.

The fair value of Ohio Condensate and its underlying fixed assets was determined based upon applying the discounted cash flow method, which is an income approach, and the guideline public company method, which is a market approach. The discounted cash flow fair value estimate is based on known or knowable information at the interim measurement date. The significant assumptions that were used to develop the estimate of the fair value under the discounted cash flow method include management's best estimates of the expected future results using a probability weighted average set of cash flow forecasts and a discount rate of 11.2 percent. An increase to the discount rate of 50 basis points would have resulted in an additional charge of \$1 million on the Consolidated Statements of Income. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As such, the fair value of the Ohio Condensate equity method investment and its underlying fixed assets represents a Level 3 measurement. As a result, there can be no assurance that the estimates and assumptions made for purposes of the interim impairment test will prove to be an accurate prediction of the future.

5. Related Party Agreements and Transactions

The Partnership's material related parties include:

- MPC, which refines, markets and transports crude oil and petroleum products, primarily in the Midwest, Gulf Coast, East Coast and Southeast regions of the United States.
- Centennial Pipeline LLC ("Centennial"), in which MPC has a 50 percent interest. Centennial owns a products pipeline and storage facility.
- Muskegon Pipeline LLC ("Muskegon"), in which MPC has a 60 percent interest. Muskegon owns a common carrier products pipeline.
- MarkWest Utica EMG, in which MPLX LP has a 60 percent interest. MarkWest Utica EMG is engaged in significant natural gas processing and NGL fractionation, transportation and marketing in eastern Ohio.
- Ohio Gathering, in which MPLX LP has a 36 percent indirect interest. Ohio Gathering is a subsidiary of MarkWest Utica EMG providing natural gas gathering service in the Utica Shale region of eastern Ohio.
- Jefferson Dry Gas, in which MPLX LP has a 67 percent interest. Jefferson Dry Gas is engaged in dry natural gas gathering in Jefferson County, Ohio.
- Ohio Condensate, in which MPLX LP has a 60 percent interest. Ohio Condensate is engaged in wellhead condensate gathering, stabilization, terminalling, transportation and storage within certain defined areas of Ohio.

Related Party Agreements

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

In addition, the Partnership is party to a loan agreement with MPC Investment, a wholly-owned subsidiary of MPC. Under the terms of the agreement, MPC Investment will make a loan or loans to the Partnership on a revolving basis as requested by the Partnership and as agreed to by MPC Investment, in an amount or amounts that do not result in the aggregate principal amount of all loans outstanding exceeding \$500 million at any one time. The entire unpaid principal amount of the loan, together with all accrued and unpaid interest and other amounts (if any), shall become due and payable on December 4, 2020. MPC Investment may demand payment of all or any portion of the outstanding principal amount of the loan, together with all accrued and unpaid interest and other amounts (if any), at any time prior to December 4, 2020. Borrowings under the loan will bear interest at LIBOR plus 1.50 percent. During the nine months ended September 30, 2016, the Partnership borrowed \$2.2 billion and repaid \$2.2 billion, resulting in no

outstanding balance at September 30, 2016. Borrowings were at an average interest rate of 1.94 percent, per annum. For additional information regarding the Partnership's commercial and other agreements with MPC, see Item 1. Business in the 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.

Table of Contents

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

HSM entered into a management services agreement with MPC on January 1, 2015 with an initial term of six years and automatically renews for two additional renewal terms of five years each unless either party provides the other party with written notice of its intent to terminate at least 12 months prior to the end of the then-current term. Under this agreement, HSM provides management services to assist MPC in the oversight and management of the MPC marine business. HSM receives a fixed annual fee in monthly installments for providing the required management services. This fee is adjusted annually on the anniversary of the contract for inflation and any changes in the scope of the management services provided.

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

Related Party Transactions

Sales to related parties were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Service revenues				
MPC	\$153	\$152	\$448	\$446
Rental income				
MPC	\$29	\$25	\$84	\$75
Product sales ⁽¹⁾				
MPC	\$2	\$—	\$8	\$—

(1) For the three and nine months ended September 30, 2016, there were \$13 million and \$25 million respectively, of additional product sales to MPC that net to zero within the consolidated financial statements, as the transactions are recorded net due to the terms of the agreements under which such product was sold.

Related party sales to MPC consist of crude oil and refined products pipeline transportation services based on regulated tariff rates, storage services based on contracted rates and transportation services provided by HSM. Under the Partnership's pipeline transportation services agreements, if MPC fails to transport its minimum throughput volumes during any quarter, then MPC will pay the Partnership a deficiency payment equal to the volume of the

deficiency multiplied by the tariff rate then in effect. The deficiency amounts are recorded as Deferred revenue-related parties. MPC may then apply the amount of any such deficiency payments as a credit for volumes transported on the applicable pipeline system in excess of its minimum volume commitment during the following four or eight quarters under the terms of the applicable transportation services agreement. The Partnership recognizes revenues for the deficiency payments when credits are used for volumes transported in excess of minimum quarterly volume commitments, when it becomes impossible to physically transport volumes necessary to utilize the credits or upon the expiration of the credits. The use or expiration of the credits is a decrease in Deferred revenue-related parties.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
MPC	\$ 14	\$ 18	\$ 47	\$ 52
MarkWest Utica EMG	5	—	12	—
Ohio Gathering	5	—	12	—
Ohio Condensate	1	—	3	—
Other	1	—	4	1
Total	\$ 26	\$ 18	\$ 78	\$ 53

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Purchases - related parties	\$ 4	\$ 9	\$ 15	\$ 23
General and administrative expenses	7	12	22	34
Total	\$ 11	\$ 21	\$ 37	\$ 57

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
MPC	\$ 11	\$ 3	\$ 29	\$ 9

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.

Table of Contents

Employee services expenses from related parties were as follows:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015
(In millions)				
Purchases - related parties	\$ 80	\$ 34	\$ 223	\$ 100
General and administrative expenses	21	6	61	21
Total	\$ 101	\$ 40	\$ 284	\$ 121

Receivables from related parties, which include reimbursements from the MarkWest Merger to be provided by MPC for the conversion of Class B units were as follows:

(In millions)	September 30, 2016	December 31, 2015
MPC	\$ 100	\$ 175
MarkWest Utica EMG 2	4	
Ohio Gathering	2	5
Other	2	3
Total	\$ 106	\$ 187

Long-term receivables with related parties, including straight line rental income for both periods presented, as well as reimbursements from the MarkWest Merger to be provided by MPC for the conversion of Class B units for the period ended December 31, 2015, were as follows:

(In millions)	September 30, 2016	December 31, 2015
MPC	\$ 3	\$ 25

Payables to related parties were as follows:

(In millions)	September 30, 2016	December 31, 2015
MPC	\$ 52	\$ 33
MarkWest Utica EMG 16	16	21
Total	\$ 68	\$ 54

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

(In millions)	September 30, 2016	December 31, 2015
Minimum volume deficiencies - MPC	\$ 42	\$ 36
Project reimbursements - MPC	5	5
Total	\$ 47	\$ 41

Table of Contents

6. Net Income (Loss) Per Limited Partner Unit

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

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

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

For the three and nine months ended September 30, 2016, the Partnership had dilutive potential common units consisting of certain equity-based compensation awards and Class B units. Diluted net income (loss) per limited partner unit for the nine months ended September 30, 2016 is the same as basic net income (loss) per limited partner unit since the inclusion of any potential common units would have been anti-dilutive. Potential common units omitted from the diluted earnings per unit calculation for the nine months ended September 30, 2016 was approximately 8 million.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Net income attributable to MPLX LP	\$ 141	\$ 41	\$ 100	\$ 138
Less: Limited partners' distributions declared on preferred units ⁽¹⁾	16	—	25	—
General partner's distributions declared (including IDRs) ⁽¹⁾	54	9	148	20
Limited partners' distributions declared on common units ⁽¹⁾	179	38	507	75
Limited partner's distributions declared on subordinated units ⁽¹⁾	—	—	—	31
Undistributed net (loss) income attributable to MPLX LP	\$(108)	\$(6)	\$(580)	\$ 12

(1) See Note 7 for distribution information.

Table of ContentsThree Months Ended September 30,
2016

	General Partners' Common Units	Limited Partners' Preferred Units	Redeemable Preferred Units	Total
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(In millions, except per unit data)

Basic and diluted net income attributable to MPLX LP per unit:

Net income attributable to MPLX LP:

Distributions declared (including IDRs)	\$54	\$ 179	\$ 16	\$249
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Undistributed net loss attributable to MPLX LP	(3)	(105)	—	(108)
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Net income attributable to MPLX LP ⁽¹⁾	\$51	\$ 74	\$ 16	\$141
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Weighted average units outstanding:

Basic	7	341	31	379
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Diluted	7	346	31	384
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Net income attributable to MPLX LP per limited partner unit:

Basic		\$ 0.22		
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Diluted		\$ 0.21		
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Three Months Ended September
30, 2015

	General Partners' Common Units	Limited Partners' Common Units	Limited Partner's Subordinated Units	Total
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(In millions, except per unit data)

Basic and diluted net income attributable to MPLX LP per unit:

Net income attributable to MPLX LP:

Distributions declared (including IDRs)	\$9	\$ 38	\$	—\$47
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Undistributed net loss attributable to MPLX LP	(1)	(5)	—	(6)
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Net income attributable to MPLX LP ⁽¹⁾	\$8	\$ 33	\$	—\$41
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Weighted average units outstanding:

Basic	2	80	—	82
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Diluted	2	80	—	82
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Net income attributable to MPLX LP per limited partner unit:

Basic		\$ 0.41	\$	—
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Diluted		\$ 0.41	\$	—
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Table of Contents

(In millions, except per unit data)	Nine Months Ended September 30, 2016			
	General Partner Units	Limited Partners' Common Units	Redeemable Preferred Units	Total
Basic and diluted net income (loss) attributable to MPLX LP per unit:				
Net income (loss) attributable to MPLX LP:				
Distributions declared (including IDRs)	\$ 148	\$ 507	\$ 25	\$ 680
Undistributed net loss attributable to MPLX LP	(12)	(568)	—	(580)
Net income (loss) attributable to MPLX LP ⁽¹⁾	\$ 136	\$ (61)	\$ 25	\$ 100
Weighted average units outstanding:				
Basic	7	324	16	347
Diluted	7	324	16	347
Net loss attributable to MPLX LP per limited partner unit:				
Basic		\$ (0.19)		
Diluted		\$ (0.19)		

(In millions, except per unit data)	Nine Months Ended September 30, 2015			
	General Partner Units	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)	\$ 20	\$ 75	\$ 31	\$ 126
Undistributed net income attributable to MPLX LP	6	4	2	12
Net income attributable to MPLX LP ⁽¹⁾	\$ 26	\$ 79	\$ 33	\$ 138
Weighted average units outstanding:				
Basic	2	56	25	83
Diluted	2	56	25	83
Net income attributable to MPLX LP per limited partner unit:				
Basic		\$ 1.42	\$ 1.36	
Diluted		\$ 1.42	\$ 1.36	

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

7. Equity

Units Outstanding – The Partnership had 348,489,049 common units outstanding as of September 30, 2016. Of that number, 86,619,313 were owned by MPC, which also owned the two percent general partner interest, represented by 7,193,467 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.

25

Table of Contents

Reorganization Transactions – On September 1, 2016, the Partnership and various affiliates initiated a series of reorganization transactions in order to simplify the Partnership’s ownership structure and its financial and tax reporting requirements (the "Class A Reorganization"). In connection with these transactions, the issued and outstanding MPLX LP Class A units, all of which were held by MarkWest Hydrocarbon, were either distributed to or purchased by MPC in exchange for \$84 million in cash, 21,401,137 MPLX LP common units and 436,758 MPLX general partner units. Following these initial transactions, all of the MPLX LP Class A units were exchanged on a one-for-one basis for newly issued common units representing limited partner interests in MPLX LP. MPC also contributed \$141 million to facilitate the repayment of intercompany debt between MarkWest Hydrocarbon and MarkWest. As a result of these transactions, the MPLX LP Class A units were eliminated, are no longer outstanding and no longer participate in distributions of cash from the Partnership. Cash that is derived from or attributable to MarkWest Hydrocarbon’s operations is now treated in the same manner as cash derived from or attributable to other operations of the Partnership and its subsidiaries.

ATM Program – On August 4, 2016, the Partnership entered into a second amended and restated distribution agreement providing for the continuous issuance of up to an aggregate of \$1.2 billion 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 including repayment of debt and funding for acquisitions, working capital requirements and capital expenditures. During the nine months ended September 30, 2016, the sale of common units under the ATM Program generated net proceeds of approximately \$499 million.

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

(In units)	Common	Class B ⁽¹⁾	General Partner	Total
Balance at December 31, 2015	296,687,176	7,981,756	6,800,475	311,469,407
Unit-based compensation awards ⁽²⁾	39,637	—	810	40,447
Issuance of units under the ATM Program ⁽³⁾	17,725,000	—	361,732	18,086,732
Contribution of HSM ⁽⁴⁾	22,534,002	—	459,878	22,993,880
Class B conversion ⁽⁵⁾	4,350,057	(3,990,878)	7,330	366,509
Class A Reorganization ⁽⁶⁾	7,153,177	—	(436,758)	6,716,419
Balance at September 30, 2016	348,489,049	3,990,878	7,193,467	359,673,394

(1) On July 1, 2016, 3,990,878 Class B units converted to 4,350,057 common units and were eligible to receive the second quarter distribution.

(2) As a result of the unit-based compensation awards issued during the period, MPLX GP contributed less than \$1 million in exchange for 810 general partner units to maintain its two percent general partner interest.

(3) As a result of common units issued under the ATM Program during the period, MPLX GP contributed \$11 million in exchange for 361,732 general partner units to maintain its two percent general partner interest.

(4) See Note 3 for information regarding the HSM acquisition.

(5) As a result of the Class B units converted to common units during the period, MPLX GP contributed less than \$1 million in exchange for 7,330 general partner units to maintain its two percent general partner interest.

(6) As a result of the Class A Reorganization, 7 million common units were acquired by MPC that represents the common units received by MPC on the exchange of the MPLX LP Class A units less the units redeemed in the distribution of MPLX Holdings Inc., including the MPLX LP Class A units. Additionally, MPLX LP transferred common units representing a two percent ownership interest of MPLX Holdings Inc. to MPLX GP in exchange for 436,758 MPLX general partner units held by MPLX GP, as discussed above.

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.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Net income attributable to MPLX LP	\$ 141	\$ 41	\$ 100	\$ 138
Less: Preferred unit distributions	16	—	25	—
General partner's incentive distribution rights and other	49	8	137	17
Net income (loss) attributable to MPLX LP available to general and limited partners	\$ 76	\$ 33	\$(62)	\$ 121
General partner's two percent interest in net income (loss) attributable to MPLX LP	\$ 2	\$ —	\$(1)	\$ 2
General partner's incentive distribution rights and other	49	8	137	17
General partner's interest in net income attributable to MPLX LP	\$ 51	\$ 8	\$ 136	\$ 19

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 October 25, 2016, the Partnership declared a quarterly cash distribution of \$0.5150 per unit, resulting in total distributions of \$233 million. These distributions will be paid on November 14, 2016 to unitholders of record on November 4, 2016.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
General partner's distributions:				
General partner's distributions	\$ 5	\$ 1	\$ 13	\$ 3
General partner's incentive distribution rights distributions	49	8	135	17
Total general partner's distributions	\$ 54	\$ 9	\$ 148	\$ 20
Limited partners' distributions:				
Common unitholders	\$ 179	\$ 38	\$ 507	\$ 75
Subordinated unitholders	—	—	—	31
Total limited partners' distributions	179	38	507	106
Preferred unit distributions	16	—	25	—
Total cash distributions declared	\$ 249	\$ 47	\$ 680	\$ 126

8. Redeemable Preferred Units

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

27

Table of Contents

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

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

(In millions)	Redeemable Preferred Units
Issuance of MPLX LP redeemable preferred units on May 13, 2016	\$ 984
Net income allocated for May 13, 2016 through September 30, 2016	25
Distributions received by preferred unitholders	(9)
Balance at September 30, 2016	\$ 1,000

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

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

9. Segment Information

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

L&S - transports and stores crude oil and refined petroleum products. Segment information for prior periods includes HSM as it is an entity under common control.

- G&P - gathers, processes and transports natural gas; gathers, transports, fractionates, stores and markets NGLs. This segment is the result of the MarkWest Merger on December 4, 2015 discussed in more detail in Note 3. Segment information for periods prior to the MarkWest Merger does not include amounts for these operations.

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

Segment operating income represents income from operations attributable to the reportable segments. Corporate general and administrative expenses, unrealized derivative gains (losses), property, plant and equipment impairment, goodwill impairment

Table of Contents

and depreciation and amortization are not allocated to the reportable segments. Management does not consider these items allocable to or controllable by any individual segment and, therefore, excludes these items when evaluating segment performance. Segment results are also adjusted to exclude the portion of income from operations attributable to the noncontrolling interests related to partially owned entities that are either consolidated or accounted for as equity method investments.

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

(In millions)	Three Months Ended September 30, 2016		
	L&S	G&P	Total
Revenues and other income:			
Segment revenues	\$200	\$567	\$767
Segment other income	16	1	17
Total segment revenues and other income	216	568	784
Costs and expenses:			
Segment cost of revenues	92	239	331
Segment operating income before portion attributable to noncontrolling interest	124	329	453
Segment portion attributable to noncontrolling interest	—	36	36
Segment operating income attributable to MPLX LP	\$124	\$293	\$417

(In millions)	Three Months Ended September 30, 2015
	L&S
Revenues and other income:	
Segment revenues	\$ 195
Segment other income	19
Total segment revenues and other income	214
Costs and expenses:	
Segment cost of revenues	102
Segment operating income before portion attributable to noncontrolling interest and Predecessor	112
Segment portion attributable to noncontrolling interest and Predecessor	31
Segment operating income attributable to MPLX LP	\$ 81

(In millions)	Nine Months Ended September 30, 2016		
	L&S	G&P	Total
Revenues and other income:			
Segment revenues	\$585	\$1,595	\$2,180
Segment other income	53	1	54
Total segment revenues and other income	638	1,596	2,234
Costs and expenses:			
Segment cost of revenues	269	662	931
Segment operating income before portion attributable to noncontrolling interest and Predecessor	369	934	1,303
Segment portion attributable to noncontrolling interest and Predecessor	34	113	147

Segment operating income attributable to MPLX LP

\$335 \$821 \$1,156

29

Table of Contents

	Nine Months Ended September 30, 2015 L&S
(In millions)	
Revenues and other income:	
Segment revenues	\$ 571
Segment other income	57
Total segment revenues and other income	628
Costs and expenses:	
Segment cost of revenues	278
Segment operating income before portion attributable to noncontrolling interest and Predecessor	350
Segment portion attributable to noncontrolling interest and Predecessor	99
Segment operating income attributable to MPLX LP	\$ 251

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
(In millions)				
Reconciliation to Income from operations:				
Segment operating income attributable to MPLX LP	\$417	\$81	\$1,156	\$251
Segment portion attributable to unconsolidated affiliates	(77)	—	(243)	—
Segment portion attributable to noncontrolling interest and Predecessor	36	31	147	99
Income (loss) from equity method investments	6	—	(72)	—
Other income - related parties	11	—	29	—
Unrealized derivative losses	(2)	—	(23)	—
Impairment expense	—	—	(130)	—
Depreciation and amortization	(138)	(19)	(407)	(58)
General and administrative expenses	(46)	(25)	(147)	(68)
Income from operations	\$207	\$68	\$310	\$224

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
(In millions)				
Reconciliation to Total revenues and other income:				
Total segment revenues and other income	\$784	\$214	\$2,234	\$628
Revenue adjustment from unconsolidated affiliates	(100)	—	(303)	—
Income (loss) from equity method investments	6	—	(72)	—
Other income - related parties	11	—	29	—
Unrealized derivative gain (loss)	2	—	(12)	—
Total revenues and other income	\$703	\$214	\$1,876	\$628

Table of Contents

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
(In millions)				
Reconciliation to Net income attributable to noncontrolling interests and Predecessor:				
Segment portion attributable to noncontrolling interest and Predecessor	\$36	\$31	\$147	\$99
Portion of noncontrolling interests and Predecessor related to items below segment income from operations	(16)	(9)	(101)	(30)
Portion of operating income attributable to noncontrolling interest of unconsolidated affiliates	(18)	—	(20)	—
Net income attributable to noncontrolling interests and Predecessor	\$2	\$22	\$26	\$69

The following reconciles segment capital expenditures to total capital expenditures:

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
(In millions)				
L&S segment capital expenditures	\$156	\$59	\$300	\$129
G&P segment capital expenditures ⁽¹⁾	183	—	668	—
Total segment capital expenditures	339	59	968	129
Less: Capital expenditures for Partnership operated, non-wholly-owned subsidiaries	34	—	94	—
Total capital expenditures	\$305	\$59	\$874	\$129

(1) The G&P segment includes \$34 million and \$94 million of capital expenditures related to Partnership operated, non-wholly-owned subsidiaries for the three and nine months ended September 30, 2016.

Total assets by reportable segment were:

(In millions)	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 208	\$ 43
L&S	2,022	1,842
G&P	14,185	14,219
Total assets	\$ 16,415	\$ 16,104

10. Income Tax

The Partnership is not a taxable entity for United States federal income tax purposes or for the majority of states that impose an income tax. Taxes on the Partnership's net income generally are borne by its partners through the allocation of taxable income. The Partnership's income tax (benefit) provision results from partnership activity in the states of Texas, Ohio and Tennessee.

As a result of the Class A Reorganization discussed in Note 7, MarkWest Hydrocarbon (MarkWest Hydrocarbon, Inc. prior to the Class A Reorganization) is no longer a tax paying entity for federal income tax purposes or for the majority of states that impose an income tax effective September 1, 2016. After MarkWest Hydrocarbon files its 2016 income tax returns in 2017, the Partnership anticipates a residual tax provision to be recorded. In connection with the

Class A Reorganization, MPC assumed \$377 million of MPLX's deferred tax liabilities.

31

Table of Contents

The Partnership's income tax activity was less than \$1 million for the three and nine months ended September 30, 2015. A reconciliation of the benefit for income tax and the amount computed by applying the federal statutory rate of 35 percent to the income before income taxes for the nine months ended September 30, 2016 is as follows:

(In millions)	MarkWest Hydrocarbon	Partnership	Eliminations	Consolidated ⁽¹⁾
Income before (benefit) provision for income tax	\$ (41)	\$ 153	\$ 2	\$ 114
Federal statutory rate	35 %	—	%	%
Federal income tax at statutory rate ⁽²⁾	(14)	—	—	(14)
Change in state statutory rate	(1)	—	—	(1)
State income taxes net of federal benefit - MarkWest Hydrocarbon	(2)	—	—	(2)
Provision on income from MPLX LP Class A units ⁽²⁾	3	—	—	3
Other	1	1	—	2
(Benefit) provision for income tax	\$ (13)	\$ 1	\$ —	\$ (12)

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

⁽¹⁾ Prior to this acquisition, MPC paid all income taxes related to HSM.

⁽²⁾ MarkWest Hydrocarbon paid tax on its share of the Partnership's income or loss as a result of its ownership of MPLX LP Class A units through September 1, 2016.

11. Inventories

Inventories consist of the following:

(In millions)	September 30, 2016	December 31, 2015
NGLs	\$ 2	\$ 3
Line fill	6	5
Spare parts, materials and supplies	42	43
Total inventories	\$ 50	\$ 51

12. Property, Plant and Equipment

Property, plant and equipment with associated accumulated depreciation was:

(In millions)	September 30, 2016	December 31, 2015
Natural gas gathering and NGL transportation pipelines and facilities	\$ 4,670	\$ 4,307