EnLink Midstream, LLC
Form 10-Q
November 01, 2017
Table of Contents

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

Form 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from to

Commission file number: 001-36336

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

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

1722 ROUTH ST., SUITE 1300	
DALLAS, TEXAS	75201
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

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

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

Non-accelerated filer ¨ Smaller reporting company ¨

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

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

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

As of October 26, 2017, the Registrant had 180,589,927 common units outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

DEFINITIONS

The following terms as defined are used in the energy industry and in this document:

/d = per day
Bbls = barrels
Bcf = billion cubic feet
Gal = gallon
Mcf = thousand cubic feet
MMBtu = million British thermal units
MMcf = million cubic feet
NGL = natural gas liquid and natural gas liquids

Table of Contents

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 141.9	$ 11.7
Accounts receivable:		
Trade, net of allowance for bad debt of $0.1 and $0.1, respectively	42.5	63.9
Accrued revenue and other	432.4	369.6
Related party	121.5	100.2
Fair value of derivative assets	4.6	1.3
Natural gas and NGLs inventory, prepaid expenses and other	73.4	33.5
Investment in unconsolidated affiliates—current	—	193.1
Total current assets	816.3	773.3
Property and equipment, net of accumulated depreciation of $2,428.5 and $2,124.1, respectively	6,568.8	6,256.7
Fair value of derivative assets	0.1	—
Intangible assets, net of accumulated amortization of $267.8 and $171.6, respectively	1,528.0	1,624.2
Goodwill	1,542.2	1,542.2
Investment in unconsolidated affiliates—non-current	86.1	77.3
Other assets, net	6.8	2.2
Total assets	$ 10,548.3	$ 10,275.9
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and drafts payable	$ 65.2	$ 69.2
Accounts payable to related party	36.8	10.4
Accrued gas, NGLs, condensate and crude oil purchases	376.6	333.3
Fair value of derivative liabilities	7.2	7.6
Installment payable, net of discount of $7.0 and $0.5, respectively	243.0	249.5
Other current liabilities	235.2	217.5
Total current liabilities	964.0	887.5
Long-term debt	3,540.5	3,295.3
Asset retirement obligations	14.0	13.5
Installment payable, net of discount of $26.3 at December 31, 2016	—	223.7
Other long-term liabilities	38.7	42.5
Deferred tax liability	550.2	542.6
Redeemable non-controlling interest	4.6	5.2
Members' equity:		
Members' equity (180,586,977 and 180,049,316 units issued and outstanding, respectively)	1,763.5	1,880.9
Accumulated other comprehensive loss	(2.0)	—
Non-controlling interest	3,674.8	3,384.7
Total members' equity	5,436.3	5,265.6

Commitments and contingencies (Note 15)		
Total liabilities and members’ equity	$ 10,548.3	$ 10,275.9

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)			
Revenues:				
Product sales	$1,056.7	$771.0	$2,973.9	$2,097.8
Product sales—related parties	35.3	43.1	107.3	99.3
Midstream services	136.4	125.7	395.7	348.5
Midstream services—related parties	175.0	165.3	507.6	488.5
Loss on derivative activity	(5.5)	(0.5)	(1.1)	(6.6)
Total revenues	1,397.9	1,104.6	3,983.4	3,027.5
Operating costs and expenses:				
Cost of sales (1)	1,053.2	788.2	2,987.9	2,106.8
Operating expenses	102.1	98.0	308.8	296.3
General and administrative	31.3	29.3	98.5	94.7
(Gain) loss on disposition of assets	1.1	(3.0)	0.8	(2.9)
Depreciation and amortization	136.3	126.2	407.1	373.0
Impairments	1.8	—	8.8	873.3
Gain on litigation settlement	—	—	(26.0)	—
Total operating costs and expenses	1,325.8	1,038.7	3,785.9	3,741.2
Operating income (loss)	72.1	65.9	197.5	(713.7)
Other income (expense):				
Interest expense, net of interest income	(49.6)	(48.4)	(142.2)	(138.9)
Gain on extinguishment of debt	—	—	9.0	—
Income (loss) from unconsolidated affiliates	4.4	1.1	5.0	(0.5)
Other income	0.3	0.1	0.5	0.1
Total other expense	(44.9)	(47.2)	(127.7)	(139.3)
Income (loss) before non-controlling interest and income taxes	27.2	18.7	69.8	(853.0)
Income tax provision	(3.1)	(7.6)	(9.3)	(6.0)
Net income (loss)	24.1	11.1	60.5	(859.0)
Net income (loss) attributable to non-controlling interest	17.9	10.4	50.3	(402.9)
Net income (loss) attributable to EnLink Midstream, LLC	$6.2	$0.7	$10.2	$(456.1)
Net income (loss) attributable to EnLink Midstream, LLC per unit:				
Basic common unit	$0.03	$—	$0.06	$(2.54)
Diluted common unit	$0.03	$—	$0.06	$(2.54)

(1) Includes related party cost of sales of $47.3 million and $33.7 million for the three months ended September 30, 2017 and 2016, respectively, and $126.9 million and $126.0 million for the nine months ended September 30, 2017 and 2016, respectively.

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)			
Net income (loss)	$24.1	$11.1	$60.5	$(859.0)
Loss on designated cash flow hedge, net of tax benefit of $0.2 million	—	—	(2.0)	—
Comprehensive income (loss)	24.1	11.1	58.5	(859.0)
Comprehensive income (loss) attributable to non-controlling interest	17.9	10.4	48.7	(402.9)
Comprehensive income (loss) attributable to EnLink Midstream, LLC	$6.2	$0.7	$9.8	$(456.1)

See accompanying notes to consolidated financial statements.

Table of Contents

ENLINK MIDSTREAM, LLC
Consolidated Statement of Changes in Members' Equity
Nine Months Ended September 30, 2017
(In millions)

	Common Units		Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total	Redeemable Non-Controlling Interest (Temporary Equity)
	$	Units	$	$	$	$
	(Unaudited)					
Balance, December 31, 2016	$1,880.9	180.0	$ —	$ 3,384.7	$5,265.6	$ 5.2
Issuance of common units by ENLK	—	—	—	92.3	92.3	—
Issuance of Series C Preferred Units by ENLK	—	—	—	393.7	393.7	—
Conversion of restricted units for common units, net of units withheld for taxes	(5.0)	0.6	—	—	(5.0)	—
Non-controlling interest's impact of conversion of restricted units	—	—	—	(5.2)	(5.2)	—
Unit-based compensation	17.2	—	—	17.3	34.5	—
Change in equity due to issuance of units by ENLK	(0.3)	—	—	0.5	0.2	—
Non-controlling interest distributions	—	—	—	(306.3)	(306.3)	—
Non-controlling interest contribution	—	—	—	46.2	46.2	—
Distributions to members	(139.5)	—	—	—	(139.5)	—
Distributions to redeemable non-controlling interest	—	—	—	—	—	(0.6)
Contribution from Devon to ENLK	—	—	—	1.3	1.3	—
Loss on designated cash flow hedge	—	—	(2.0)	—	(2.0)	—
Net income	10.2	—	—	50.3	60.5	—
Balance, September 30, 2017	$1,763.5	180.6	$ (2.0)	$ 3,674.8	$5,436.3	$ 4.6

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Nine Months Ended September 30,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$60.5	$(859.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairments	8.8	873.3
Depreciation and amortization	407.1	373.0
(Gain) loss on disposition of assets	0.8	(2.9)
Non-cash unit-based compensation	38.9	22.5
Loss on derivatives recognized in net income (loss)	1.1	6.6
Gain on extinguishment of debt	(9.0)	—
Cash settlements on derivatives	(5.9)	9.5
Amortization of debt issue costs	3.0	2.9
Amortization of net discount on notes and installment payable	18.8	36.9
Redeemable non-controlling interest expense	—	0.3
(Income) loss from unconsolidated affiliates	(5.0)	0.5
Other	12.6	5.5
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable, accrued revenue and other	(56.7)	(17.9)
Natural gas and NGLs inventory, prepaid expenses and other	(48.4)	11.9
Accounts payable, accrued gas and crude oil purchases and other accrued liabilities	101.8	49.4
Net cash provided by operating activities	528.4	512.5
Cash flows from investing activities, net of assets acquired and liabilities assumed:		
Additions to property and equipment	(662.5)	(423.7)
Acquisition of business, net of cash acquired	—	(791.5)
Proceeds from insurance settlement	0.2	0.3
Proceeds from sale of unconsolidated affiliate investment	189.7	—
Proceeds from sale of property	1.8	4.7
Investment in unconsolidated affiliates	(11.8)	(45.0)
Distribution from unconsolidated affiliates in excess of earnings	7.3	51.6
Net cash used in investing activities	(475.3)	(1,203.6)
Cash flows from financing activities:		
Proceeds from borrowings	2,213.4	1,667.7
Payments on borrowings	(1,955.6)	(1,484.5)
Payment of installment payable for EnLink Oklahoma T.O. acquisition	(250.0)	—
Payments on capital lease obligations	(2.1)	(3.2)
Debt financing costs	(5.5)	(4.7)
Mandatorily redeemable non-controlling interest	—	(4.0)
Conversion of restricted units, net of units withheld for taxes	(5.0)	(1.2)
Conversion of ENLK restricted units, net of units withheld for taxes	(5.2)	(1.2)
Proceeds from issuance of ENLK common units	92.3	110.6
Distributions to non-controlling interests	(306.9)	(284.3)
Distribution to members	(139.5)	(139.0)

Contribution from Devon	1.3	1.4
Proceeds from issuance of ENLK Series B Preferred Units	—	724.1
Proceeds from issuance of ENLK Series C Preferred Units	393.7	—
Contributions by non-controlling interests	46.2	151.5
Net cash provided by financing activities	77.1	733.2
Net increase in cash and cash equivalents	130.2	42.1
Cash and cash equivalents, beginning of period	11.7	18.0
Cash and cash equivalents, end of period	$141.9	$60.1
Cash paid for interest	$94.7	$71.2
Cash paid (refund) for income taxes	$4.1	$(5.6)

See accompanying notes to consolidated financial statements.

Table of Contents

ENLINK MIDSTREAM, LLC
Notes to Consolidated Financial Statements
September 30, 2017
(Unaudited)

(1) General

In this report, the terms "Company" or "Registrant" as well as the terms "ENLC," "our," "we," "us," and "its," are sometimes u
abbreviated references to EnLink Midstream, LLC and its consolidated subsidiaries. References in this report to "EnLink Midstream Partners, LP," the "Partnership" and "ENLK" refer to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries, including EnLink Midstream Operating, LP and EnLink Oklahoma Gas Processing, LP ("EnLink Oklahoma T.O."). EnLink Oklahoma T.O. is sometimes used to refer to EnLink Oklahoma Gas Processing, LP itself or EnLink Oklahoma Gas Processing, LP together with its consolidated subsidiaries.

(a) Organization of Business

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

Our assets consist of equity interests in EnLink Midstream Partners, LP and EnLink Oklahoma T.O. ENLK is a publicly traded limited partnership engaged in the gathering, transmission, processing and marketing of natural gas and NGLs, condensate and crude oil, as well as providing crude oil, condensate and brine services to producers. EnLink Oklahoma T.O. is a partnership held by us and ENLK and is engaged in the gathering and processing of natural gas. As of September 30, 2017, our interests in ENLK and EnLink Oklahoma T.O. consist of the following:

- 88,528,451 common units representing an aggregate 21.8% limited partner interest in ENLK;
- 100.0% ownership interest in EnLink Midstream Partners GP, LLC, the general partner of ENLK (the "General Partner"), which owns a 0.4% general partner interest and all of the incentive distribution rights in ENLK; and
- 16% limited partner interest in EnLink Oklahoma T.O.

(b) Nature of Business

We primarily focus on providing midstream energy services, including gathering, transmission, processing, fractionation, storage, condensate stabilization, brine services and marketing to producers of natural gas, NGLs, crude oil and condensate.

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

Our fractionators separate NGLs into separate purity products, including ethane, propane, iso-butane, normal butane and natural gasoline. Our fractionators receive NGLs through our transmission lines that transport NGLs from east Texas and from our south Louisiana processing plants. We also have agreements pursuant to which third parties transport NGLs from our west Texas and central Oklahoma operations to our NGL transmission lines that transport the NGLs to our fractionators. In addition, we have NGL storage capacity to provide storage for customers.

We also provide a variety of crude oil and condensate services, which include crude oil and condensate gathering and transmission via pipelines, barges, rail and trucks, condensate stabilization and brine disposal. We have crude oil and condensate terminal facilities that provide market access for crude oil and condensate producers.

(2) Significant Accounting Policies

(a) Basis of Presentation

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

(b) Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies several aspects related to the accounting for share-based payment transactions. Effective January 1, 2017, we adopted ASU 2016-09. We prospectively adopted the guidance that requires excess tax benefits and deficiencies be recognized on the income statement. The cash flow statement guidance requires the presentation of excess tax benefits and deficiencies as an operating activity and the presentation of cash paid by an employer when directly withholding shares for tax-withholding purposes as a financing activity, and this treatment is consistent with our historical accounting treatment. Finally, we elected to estimate the number of awards that are expected to vest, which is consistent with our historical accounting treatment. The adoption of the new guidance did not materially affect the consolidated statements of operations for the three and nine months ended September 30, 2017.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in Accounting Standards Codification ("ASC") 350, Intangibles—Goodwill and Other ("ASC 350"). As a result, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, including any interim impairment tests within those annual periods, with early application permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. In January 2017, we elected to early adopt ASU 2017-04, and the adoption had no impact on our consolidated financial statements. We will perform future goodwill impairment tests according to ASU 2017-04.

(c) Accounting Standards to be Adopted in Future Periods

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842)—Amendments to the FASB Accounting Standards Codification ("ASU 2016-02"). Lessees will need to recognize virtually all of their leases on the balance sheet by recording a right-of-use asset and lease liability. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance is replaced with a new model applicable to both lessees and lessors. Additional revisions have been made to embedded leases, reassessment requirements and lease term assessments including variable lease payment, discount rate and lease incentives. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted. Entities are required to adopt ASU 2016-02 using a modified retrospective transition. We are currently assessing the impact of adopting ASU 2016-02. This assessment includes the gathering and evaluation of our current lease contracts and the analysis of contracts that may contain lease components. While we cannot currently estimate the quantitative effect that ASU 2016-02 will have on our consolidated financial statements, the adoption of ASU 2016-02 will increase our asset and liability balances on the consolidated balance sheets due to the required recognition of right-of-use assets and corresponding lease liabilities for all lease obligations that are currently classified as operating leases. In addition, there are industry-specific concerns with the implementation of ASU 2016-02, including the application of ASU 2016-02 to contracts involving easements/right-of-ways, which will require further evaluation before we are able to fully assess the impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which established ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). ASC 606 will replace existing revenue recognition requirements in GAAP and will require entities to recognize revenue at an amount that reflects the consideration to which they expect to be entitled in exchange for transferring goods or services to a customer. ASC 606 will also require significantly expanded disclosures containing qualitative and quantitative information regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12"), which updated ASU 2014-09. ASU 2016-12 clarifies certain core recognition principles, including collectability, sales tax presentation, noncash consideration, contract modifications and completed contracts at transition and disclosures no longer required if the full retrospective transition method is adopted. ASU 2014-09 and ASU 2016-12 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods, and are to be applied using the modified retrospective or full retrospective transition methods, with early application permitted for annual reporting periods beginning after December 15, 2016. We will adopt ASC 606 using the modified retrospective method for annual and interim reporting periods beginning January 1, 2018.

We have aggregated and reviewed our contracts that are within the scope of ASC 606. Based on our evaluation to date, we do not anticipate the adoption of ASC 606 will have a material impact on our results of operations, financial condition or cash flows. However, ASC 606 will affect how certain transactions are recorded in the financial statements. For each contract with a customer, we will need to identify our performance obligations, of which the identification includes careful evaluation of when control and the economic benefits of the commodities transfer from our customer to us. The evaluation of control will change the way we account for certain transactions, specifically those in which there is both a commodity purchase component and a service component. For contracts where control of commodities transfers to us before we perform our services, we generally have no performance obligation for our services, and accordingly, we will not consider these revenue-generating contracts. Based on that determination, all fees or fee-equivalent deductions stated in such contracts would reduce the cost to purchase commodities. Alternatively, for contracts where control of commodities transfers to us after we perform our services, we have performance obligations for our services. Accordingly, we will consider the satisfaction of these performance obligations as revenue-generating and recognize these fees as midstream service revenues at the time we satisfy our performance obligations. For contracts where control of commodities never transfers to us and we simply earn a fee for our services, we will recognize these fees as midstream services revenues at the time we satisfy our performance obligations. Based on our review of our performance obligations in our contracts with customers, we will change the statement of operations classification for certain transactions from revenue to cost of sales or from cost of sales to revenue. This reclassification of revenues and costs will have no effect on operating income.

Our performance obligations represent promises to transfer a series of distinct goods or services that are satisfied over time and that are substantially the same to the customer. As permitted by ASC 606, we will utilize the practical expedient that allows an entity to recognize revenue in the amount to which the entity has a right to invoice if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Accordingly, ASC 606 will not significantly affect the timing of income and expense on the statement of operations, and we will continue to recognize revenue at the time commodities are delivered or services are performed.

Based on the disclosure requirements of ASC 606, upon adoption, we expect to provide expanded disclosures relating to our revenue recognition policies and how these relate to our revenue-generating contractual performance obligations. In addition, we expect to present revenues disaggregated based on the type of good or service in order to more fully depict the nature of our revenues.

(d) Property & Equipment

Impairment Review. We evaluate our property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the undiscounted sum of the future cash flows expected to result from the use and eventual disposition of the asset. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions. When the carrying amount of a long-lived asset is not recoverable, an impairment loss is recognized equal to the excess of the asset's carrying value over its fair value. For the nine months ended September 30, 2017, we recognized impairments of $8.8 million, which related to the carrying values of rights-of-way that we are no longer using and an abandoned brine disposal well.

(e) Comprehensive Income (Loss)

Comprehensive income (loss) is composed of net income (loss) and other comprehensive income (loss), which consists of the effective portion of gains or losses on derivative financial instruments that qualify as cash flow hedges pursuant to ASC 815, Derivatives and Hedging ("ASC 815"). For the three and nine months ended September 30, 2017, we reclassified an immaterial amount of losses from accumulated other comprehensive income (loss) to earnings. For additional information, see "Note 13—Derivatives."

(3) Acquisition

On January 7, 2016, ENLC and ENLK acquired a 16% and 84% voting interest, respectively, in EnLink Oklahoma T.O. for approximately $1.4 billion. The first installment of $1.02 billion for the acquisition was paid at closing. The second installment of $250.0 million was paid on January 6, 2017, and the final installment of $250.0 million is due no later than January 7, 2018. ENLK's installment payables are valued net of discount within the total purchase price.

The first installment of approximately $1.02 billion was funded by (a) approximately $783.6 million in cash paid by ENLK, which was primarily derived from the issuance of Series B Cumulative Convertible Preferred Units ("Series B Preferred Units"), (b) 15,564,009 common units representing limited liability company interests in ENLC issued directly by ENLC and (c) approximately $22.2 million in cash paid by ENLC. The transaction was accounted for using the acquisition method.

The following table presents the consideration ENLC and ENLK paid and the fair value of the identified assets received and liabilities assumed at the acquisition date (in millions):

Consideration:	
Cash	$805.8
Issuance of ENLC common units	214.9
ENLK's total installment payable, net of discount of $79.1 million assuming payments made on January 7, 2017 and 2018	420.9
Total consideration	$1,441.6
Purchase Price Allocation:	
Assets acquired:	
Current assets (including $12.8 million in cash)	$23.0
Property, plant and equipment	406.1
Intangibles	1,051.3
Liabilities assumed:	
Current liabilities	(38.8)
Total identifiable net assets	$1,441.6

The fair value of assets acquired and liabilities assumed are based on inputs that are not observable in the market and thus represent Level 3 inputs. We recognized intangible assets related to customer relationships and determined their fair value using the income approach. The acquired intangible assets are amortized on a straight-line basis over the estimated customer life of approximately 15 years.

We incurred a total of $4.8 million of direct transaction costs, of which $4.4 million was recognized as expense for the nine months ended September 30, 2016. These costs are included in general and administrative expenses in the accompanying consolidated statements of operations.

For the three and nine months ended September 30, 2016, we recognized $77.3 million and $149.5 million of revenues, respectively, and $4.4 million and $27.9 million of net loss, respectively, related to the assets acquired.

(4) Goodwill and Intangible Assets

Goodwill

Goodwill is the cost of an acquisition less the fair value of the net identifiable assets of the acquired business. The fair value of goodwill is based on inputs that are not observable in the market and thus represent Level 3 inputs. We evaluate goodwill for impairment annually as of October 31 and whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We perform our goodwill assessments at the reporting unit level for all reporting units. We use a discounted cash flow analysis to perform the assessments. Key assumptions in the analysis include the use of an appropriate discount rate, terminal year multiples and estimated future cash flows, including volume and price forecasts and estimated operating and general and administrative costs. In estimating cash flows, we incorporate current and historical market and financial information, among other factors. Impairment determinations involve significant assumptions and judgments, and differing assumptions regarding any of these inputs could have a significant effect on the various valuations. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to goodwill impairment charges, which would be recognized in the period in which the carrying value exceeds fair value.

During February 2016, we determined that weakness in the overall energy sector, driven by low commodity prices, together with a decline in our unit price, caused a change in circumstances warranting an interim impairment test. Based on these triggering events, we performed a goodwill impairment analysis in the first quarter of 2016 on all reporting units. Based on this analysis, a goodwill impairment loss for our Texas, Crude and Condensate, and Corporate reporting units in the amount of $873.3 million was recognized in the first quarter of 2016 and is included as an impairment loss on the consolidated statement of operations for the nine months ended September 30, 2016. We concluded that the fair value of our Oklahoma reporting unit exceeded its carrying value, and the amount of goodwill disclosed on the consolidated balance sheet associated with this reporting unit is recoverable. Therefore, no goodwill impairment was identified or recorded for this reporting unit as a result of our goodwill impairment analysis.

During the first quarter of 2017, we elected to early adopt ASU 2017-04, which simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in ASC 350. Although no goodwill impairment tests were required during the nine months ended September 30, 2017, we will perform future goodwill impairment tests according to ASU 2017-04. For additional information, see “Note 2—Significant Accounting Policies.”

Intangible Assets

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

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Nine Months Ended September 30, 2017			

Customer relationships, beginning of period	$1,795.8	$ (171.6)	$1,624.2
Amortization expense	—	(96.2)	(96.2)
Customer relationships, end of period	$1,795.8	$ (267.8)	$1,528.0

The weighted average amortization period is 15.0 years. Amortization expense was approximately $31.2 million and $29.9 million for the three months ended September 30, 2017 and 2016, respectively, and $96.2 million and $87.4 million for the nine months ended September 30, 2017 and 2016, respectively.

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

2017 (remaining)	$30.8
2018	123.4
2019	123.4
2020	123.4
2021	123.4
Thereafter	1,003.6
Total	$1,528.0

(5) Related Party Transactions

We engage in various transactions with Devon Energy Corporation ("Devon") and other related parties. For the three and nine months ended September 30, 2017, Devon accounted for 15.0% and 15.4% of our revenues, respectively, and for the three and nine months ended September 30, 2016, Devon accounted for 18.9% and 19.4% of our revenues, respectively. We had an accounts receivable balance related to transactions with Devon of $121.5 million at September 30, 2017 and $100.2 million at December 31, 2016. Additionally, we had an accounts payable balance related to transactions with Devon of $36.8 million at September 30, 2017 and $10.4 million at December 31, 2016. Management believes these transactions are executed on terms that are fair and reasonable and are consistent with terms for transactions with unrelated third parties. The amounts related to related party transactions are specified in the accompanying consolidated financial statements.

(6) Long-Term Debt

As of September 30, 2017 and December 31, 2016, long-term debt consisted of the following (in millions):

	September 30, 2017			December 31, 2016		
	Outstanding Principal	Premium (Discount)	Long-Term Debt	Outstanding Principal	Premium (Discount)	Long-Term Debt
ENLK credit facility due 2020 (1)	$—	$ —	$—	$120.0	$ —	$120.0
ENLC credit facility due 2019 (2)	74.0	—	74.0	27.8	—	27.8
2.70% Senior unsecured notes due 2019	400.0	(0.2)	399.8	400.0	(0.3)	399.7
7.125% Senior unsecured notes due 2022	—	—	—	162.5	16.0	178.5
4.40% Senior unsecured notes due 2024	550.0	2.3	552.3	550.0	2.5	552.5
4.15% Senior unsecured notes due 2025	750.0	(1.0)	749.0	750.0	(1.1)	748.9
4.85% Senior unsecured notes due 2026	500.0	(0.6)	499.4	500.0	(0.7)	499.3
5.60% Senior unsecured notes due 2044	350.0	(0.2)	349.8	350.0	(0.2)	349.8
5.05% Senior unsecured notes due 2045	450.0	(6.5)	443.5	450.0	(6.6)	443.4
5.45% Senior unsecured notes due 2047	500.0	(0.1)	499.9	—	—	—
Debt classified as long-term	$3,574.0	$ (6.3)	$3,567.7	$3,310.3	$ 9.6	$3,319.9
Debt issuance cost (3)			(27.2)			(24.6)
Long-term debt, net of unamortized issuance cost			$3,540.5			$3,295.3

(1) Bears interest based on Prime and/or LIBOR plus an applicable margin. The effective interest rate was 2.3% at December 31, 2016.

(2)

Bears interest based on Prime and/or LIBOR plus an applicable margin. The effective interest rate was 3.2% and 3.4% at September 30, 2017 and December 31, 2016, respectively.

(3) Net of amortization of $11.9 million and $9.0 million at September 30, 2017 and December 31, 2016, respectively.

ENLC Credit Facility

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

The ENLC Credit Facility contains certain financial, operational and legal covenants. The financial covenants are tested on a quarterly basis, based on the rolling four-quarter period that ends on the last day of each fiscal quarter, and include (i) maintaining a maximum consolidated leverage ratio (as defined in the ENLC Credit Facility, but generally computed as the ratio of consolidated funded indebtedness to consolidated earnings before interest, taxes, depreciation, amortization and certain other non-cash charges) of 4.00 to 1.00, provided that the maximum consolidated leverage ratio is 4.50 to 1.00 during an acquisition period (as defined in the ENLC Credit Facility) and (ii) maintaining a minimum consolidated interest coverage ratio (as defined in the ENLC Credit Facility, but generally computed as the ratio of consolidated earnings before interest, taxes, depreciation, amortization and certain other non-cash charges to consolidated interest charges) of 2.50 to 1.00 unless an investment grade event (as defined in the ENLC Credit Facility) occurs.

Borrowings under the ENLC Credit Facility bear interest at our option at the Eurodollar Rate (the LIBOR Rate) plus an applicable margin (ranging from 1.75% to 2.50%) or the Base Rate (the highest of the Federal Funds Rate plus 0.5%, the 30-day Eurodollar Rate plus 1.0% or the administrative agent’s prime rate) plus an applicable margin (ranging from 0.75% to 1.50%). The applicable margins vary depending on our leverage ratio. Upon breach by us of certain covenants governing the ENLC Credit Facility, amounts outstanding under the ENLC Credit Facility, if any, may become due and payable immediately and the liens securing the ENLC Credit Facility could be foreclosed upon. At September 30, 2017, ENLC was in compliance and expects to be in compliance with the covenants in the ENLC Credit Facility for at least the next twelve months.

As of September 30, 2017, there were no outstanding letters of credit and $74.0 million in outstanding borrowings under the ENLC Credit Facility, leaving approximately $176.0 million available for future borrowing based on the borrowing capacity of $250.0 million.

ENLK Credit Facility

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

Borrowings under the ENLK Credit Facility bear interest at ENLK’s option at the Eurodollar Rate (the LIBOR Rate) plus an applicable margin (ranging from 1.00% to 1.75%) or the Base Rate (the highest of the Federal Funds Rate plus

0.50%, the 30-day Eurodollar Rate plus 1.0% or the administrative agent's prime rate) plus an applicable margin (ranging from zero percent to 0.75%). The applicable margins vary depending on ENLK's credit rating. If ENLK breaches certain covenants governing the ENLK Credit Facility, amounts outstanding under the ENLK Credit Facility, if any, may become due and payable immediately. At September 30, 2017, ENLK was in compliance and expects to be in compliance with the covenants in the ENLK Credit Facility for at least the next twelve months.

As of September 30, 2017, there were $9.2 million in outstanding letters of credit and no outstanding borrowings under the ENLK Credit Facility, leaving approximately $1.5 billion available for future borrowing.

All other material terms and conditions of the ENLK Credit Facility are described in Part II, "Item 8. Financial Statements and Supplementary Data—Note 6" in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

Senior Unsecured Notes due 2047

On May 11, 2017, ENLK issued $500.0 million in aggregate principal amount of ENLK's 5.450% senior unsecured notes due June 1, 2047 (the "2047 Notes") at a price to the public of 99.981% of their face value. Interest payments on the 2047 Notes are payable on June 1 and December 1 of each year, beginning December 1, 2017. Net proceeds of approximately $495.2 million were used to repay outstanding borrowings under the ENLK Credit Facility and for general partnership purposes.

Redemption of Senior Unsecured Notes due 2022

On June 1, 2017, ENLK redeemed $162.5 million in aggregate principal amount of ENLK's 7.125% senior unsecured notes (the "2022 Notes") at 103.6% of the principal amount, plus accrued unpaid interest, for aggregate cash consideration of $174.1 million, which resulted in a gain on extinguishment of debt of $9.0 million for the nine months ended September 30, 2017.

(7) Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
ENLC income tax expense	$3.1	$7.6	$9.3	$6.0
Total income tax expense	$3.1	$7.6	$9.3	$6.0

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Tax expense (benefit) at statutory federal rate (35%)	$3.3	$2.0	$6.8	$(158.0)
State income taxes expense (benefit), net of federal tax benefit	0.2	3.1	0.5	(11.8)
Income tax expense from partnership	0.5	2.6	0.7	1.3
Unit-based compensation (1)	—	—	2.3	—
Non-deductible expense related to asset impairment	—	(0.1)	—	173.8
Other	(0.9)	—	(1.0)	0.7
Total income tax expense	$3.1	$7.6	$9.3	$6.0

(1) Related to tax deficiencies recorded on vested units, which were recognized in accordance with the adoption of ASU 2016-09.

(8) Certain Provisions of the Partnership Agreement

(a) Issuance of ENLK Common Units

In November 2014, ENLK entered into an Equity Distribution Agreement (the “2014 EDA”) with BMO Capital Markets Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, Raymond James & Associates, Inc. and RBC Capital Markets, LLC to sell up to $350.0 million in aggregate gross sales of ENLK common units from time to time through an “at the market” equity offering program.

In August 2017, ENLK ceased trading under the 2014 EDA and entered into an Equity Distribution Agreement (the “2017 EDA”) with UBS Securities LLC, Barclays Capital Inc., BMO Capital Markets Corp., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, Mizuho Securities USA LLC, RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (collectively, the “Sales Agents”) to sell up to $600.0 million in aggregate gross sales of ENLK common units from time to time through an “at the market” equity offering program. ENLK may also sell common units to any Sales Agent as principal for the Sales Agent’s own account at a price agreed upon at the time of sale. ENLK has no obligation to sell any of the common units under the 2017 EDA and may at any time suspend solicitation and offers under the 2017 EDA.

For the nine months ended September 30, 2017, ENLK sold an aggregate of approximately 5.3 million common units under the 2014 EDA and 2017 EDA, generating proceeds of approximately $92.3 million (net of approximately $0.9 million of commissions and $0.2 million of registration fees). ENLK used the net proceeds for general partnership purposes. As of September 30, 2017, approximately $580.1 million remains available to be issued under the 2017 EDA.

(b) ENLK Series B Preferred Units

In January 2016, ENLK issued an aggregate of 50,000,000 Series B Preferred Units representing ENLK limited partner interests to Enfield Holdings, L.P. (“Enfield”) in a private placement for a cash purchase price of $15.00 per Series B Preferred Unit (the “Issue Price”), resulting in net proceeds of approximately $724.1 million after fees and deductions. Proceeds from the private placement were used to partially fund ENLK’s portion of the purchase price payable in connection with the acquisition of ENLK’s EnLink Oklahoma T.O. assets. Affiliates of the Goldman Sachs Group, Inc. and affiliates of TPG Global, LLC own interests in the general partner of Enfield. The Series B Preferred Units are convertible into ENLK common units on a one-for-one basis, subject to certain adjustments (a) in full, at ENLK’s option, if the volume weighted average price of a common unit over the 30-trading day period ending two trading days prior to the conversion date (the “Conversion VWAP”) is greater than 150% of the Issue Price or (b) in full or in part, at Enfield’s option. In addition, upon certain events involving a change of control of ENLK’s general partner or the managing member of ENLC, all of the Series B Preferred Units will automatically convert into a number of common units equal to the greater of (i) the number of common units into which the Series B Preferred Units would then convert and (ii) the number of Series B Preferred Units to be converted multiplied by an amount equal to (x) 140% of the Issue Price divided by (y) the Conversion VWAP.

For the quarter ended March 31, 2016 through the quarter ended June 30, 2017, Enfield received a quarterly distribution equal to an annual rate of 8.5% on the Issue Price payable in-kind in the form of additional Series B Preferred Units. For the quarter ended September 30, 2017 and each subsequent quarter, Enfield is entitled to receive a quarterly distribution, subject to certain adjustments, equal to an annual rate of 7.5% on the Issue Price payable in cash (the “Cash Distribution Component”) plus an in-kind distribution equal to the greater of (A) 0.0025 Series B Preferred Units per Series B Preferred Unit and (B) an amount equal to (i) the excess, if any, of the distribution that would have been payable had the Series B Preferred Units converted into common units over the Cash Distribution Component, divided by (ii) the Issue Price.

A summary of the distribution activity relating to the Series B Preferred Units for the nine months ended September 30, 2017 and 2016 is provided below:

Declaration period	Distribution paid-in kind (1)	Cash Distribution (in millions)	Date paid/payable
2017			
Fourth Quarter of 2016	1,130,131	$ —	February 13, 2017
First Quarter of 2017	1,154,147	$ —	May 12, 2017
Second Quarter of 2017	1,178,672	$ —	August 11, 2017
Third Quarter of 2017	410,681	$ 15.9	November 13, 2017
2016			
First Quarter of 2016	992,445	$ —	May 12, 2016
Second Quarter of 2016	1,083,589	$ —	August 11, 2016
Third Quarter of 2016	1,106,616	$ —	November 10, 2016

(1) Represents distributions paid or payable on the Series B Preferred Units through issuance of additional Series B Preferred Units.

(c) Issuance of ENLK Series C Preferred Units

In September 2017, ENLK issued 400,000 Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the “Series C Preferred Units”) representing ENLK limited partner interests at a price to the public of $1,000 per unit. ENLK used the net proceeds of $393.7 million for capital expenditures, general partnership purposes and to repay borrowings under the ENLK Credit Facility. The Series C Preferred Units represent perpetual equity interests in ENLK and, unlike ENLK indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As to the payment of distributions and amounts payable on a liquidation event, the Series C Preferred Units rank senior to ENLK’s common units and to each other class of limited partner interests or other equity securities established after the issue date of the Series C Preferred Units that is not expressly made senior or on parity with the Series C Preferred Units. The Series C Preferred Units will rank junior to the Series B Preferred Units with respect to the payment of distributions, and junior to the Series B Preferred Units and all current and future indebtedness with respect to amounts payable upon a liquidation event. Income is allocated to the Series C Preferred Units in an amount equal to the earned distributions for the respective reporting period.

At any time on or after December 15, 2022, ENLK may redeem, at ENLK’s option, in whole or in part, the Series C Preferred Units at a redemption price in cash equal to $1,000 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions, whether or not declared. ENLK may undertake multiple partial redemptions. In addition, at any time within 120 days after the conclusion of any review or appeal process instituted by ENLK following certain rating agency events, ENLK may redeem, at ENLK’s option, the Series C Preferred Units in whole at a redemption price in cash per unit equal to $1,020 plus an amount equal to all accumulated and unpaid distributions, whether or not declared.

Distributions on the Series C Preferred Units accrue and are cumulative from the date of original issue and payable semi-annually in arrears on the 15th day of June and December of each year through and including December 15, 2022 and, thereafter, quarterly in arrears on the 15th day of March, June, September and December of each year, in each case, if and when declared by ENLK's general partner out of legally available funds for such purpose. The initial distribution rate for the Series C Preferred Units from and including the date of original issue to, but not including, December 15, 2022 is 6.0% per annum. On and after December 15, 2022, distributions on the Series C Preferred Units will accumulate for each distribution period at a percentage of the $1,000 liquidation preference per unit equal to an annual floating rate of the three-month LIBOR plus a spread of 4.11%.

(d) ENLK Common Unit Distributions

Unless restricted by the terms of the ENLK Credit Facility and/or the indentures governing ENLK's unsecured senior notes, ENLK must make distributions of 100% of available cash, as defined in its partnership agreement, within 45 days following the end of each quarter. Distributions are made to the General Partner in accordance with its current percentage interest with the remainder to the common unitholders, subject to the payment of incentive distributions as described below to the extent that certain target levels of cash distributions are achieved. The General Partner is not entitled to incentive distributions with respect to (i) distributions on the ENLK Series B Preferred Units until such units convert into common units or (ii) the Series C Preferred Units.

The General Partner owns the general partner interest in ENLK and all of its incentive distribution rights. The General Partner is entitled to receive incentive distributions if the amount ENLK distributes with respect to any quarter exceeds levels specified in its partnership agreement. Under the quarterly incentive distribution provisions, the General Partner is entitled to 13.0% of amounts ENLK distributes in excess of $0.25 per unit, 23.0% of the amounts ENLK distributes in excess of $0.3125 per unit and 48.0% of amounts ENLK distributes in excess of $0.375 per unit.

A summary of ENLK's distribution activity relating to the common units for the nine months ended September 30, 2017 and 2016 is provided below:

Declaration period	Distribution/unit	Date paid/payable
2017		
Fourth Quarter of 2016	$ 0.39	February 13, 2017
First Quarter of 2017	$ 0.39	May 12, 2017
Second Quarter of 2017	$ 0.39	August 11, 2017
Third Quarter of 2017	$ 0.39	November 13, 2017
2016		
Fourth Quarter of 2015	$ 0.39	February 11, 2016
First Quarter of 2016	$ 0.39	May 12, 2016
Second Quarter of 2016	$ 0.39	August 11, 2016
Third Quarter of 2016	$ 0.39	November 11, 2016

(e) Allocation of ENLK Income

Net income is allocated to the General Partner in an amount equal to its incentive distribution rights as described in (d) above. The General Partner's share of net income consists of incentive distribution rights to the extent earned, a deduction for unit-based compensation attributable to ENLC's restricted units and the percentage interest of ENLK's net income adjusted for ENLC's unit-based compensation specifically allocated to the General Partner. The net income allocated to the General Partner is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income allocation for incentive distributions	$14.8	$14.4	$44.1	$42.4
Unit-based compensation attributable to ENLC's restricted units	(4.2)	(3.6)	(16.9)	(11.2)
General Partner share of net income (loss)	—	—	0.1	(2.4)
General Partner interest in net income	$10.6	$10.8	$27.3	$28.8

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

(9) Members' Equity

(a) Earnings Per Unit and Dilution Computations

As required under ASC 260, Earnings Per Share, unvested share-based payments that entitle employees to receive non-forfeitable distributions are considered participating securities for earnings per unit calculations. The following table reflects the computation of basic and diluted earnings per limited partner units for the periods presented (in millions, except per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
EnLink Midstream, LLC interest in net income (loss)	$6.2	$0.7	$10.2	$(456.1)
Distributed earnings allocated to:				
Common units (1) (2)	$46.0	$45.9	$138.0	$137.4
Unvested restricted units (1) (2)	0.7	0.6	1.9	1.6
Total distributed earnings	$46.7	$46.5	$139.9	$139.0
Undistributed loss allocated to:				
Common units	$(39.9)	$(45.1)	$(128.0)	$(588.3)
Unvested restricted units	(0.6)	(0.7)	(1.7)	(6.8)
Total undistributed loss	$(40.5)	$(45.8)	$(129.7)	$(595.1)
Net income (loss) allocated to:				
Common units	$6.1	$0.8	$10.0	$(450.9)
Unvested restricted units	0.1	(0.1)	0.2	(5.2)
Total net income (loss)	$6.2	$0.7	$10.2	$(456.1)
Basic and diluted net income (loss) per unit:				
Basic	$0.03	$—	$0.06	$(2.54)
Diluted	$0.03	$—	$0.06	$(2.54)

(1) For the three months ended September 30, 2017 and 2016, distributed earnings included a declared distribution of $0.255 per unit payable on November 14, 2017 and a distribution of $0.255 per unit paid on November 14, 2016, respectively.

(2) For the nine months ended September 30, 2017, distributed earnings included distributions of $0.255 per unit paid on May 15, 2017 and August 14, 2017 and a declared distribution of $0.255 per unit payable on November 14, 2017. For the nine months ended September 30, 2016, distributed earnings included distributions of $0.255 per unit paid on May 13, 2016, $0.255 per unit paid on August 12, 2016, and $0.255 per unit paid on November 14, 2016.

The following are the unit amounts used to compute the basic and diluted earnings per unit for the periods presented (in millions):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2017	2016	2017	2016
Basic and diluted earnings per unit:				
Weighted average common units outstanding	180.6	180.0	180.4	179.6
Diluted weighted average units outstanding:				
Weighted average basic common units outstanding	180.6	180.0	180.4	179.6
Dilutive effect of non-vested restricted incentive units (1)	1.2	1.1	1.3	—
Total weighted average diluted common units outstanding	181.8	181.1	181.7	179.6

(1) For the nine months ended September 30, 2016, all common unit equivalents were antidilutive since a net loss existed for that period.

All outstanding units were included in the computation of diluted earnings per unit and weighted based on the number of days such units were outstanding during the periods presented.

(b) Distributions

A summary of our distribution activity relating to the ENLC common units for the nine months ended September 30, 2017 and 2016, respectively, is provided below:

Declaration period	Distribution/unit	Date paid/payable
2017		
Fourth Quarter of 2016	$ 0.255	February 14, 2017
First Quarter of 2017	$ 0.255	May 15, 2017
Second Quarter 2017	$ 0.255	August 14, 2017
Third Quarter 2017	$ 0.255	November 14, 2017
2016		
Fourth Quarter of 2015	$ 0.255	February 12, 2016
First Quarter of 2016	$ 0.255	May 13, 2016
Second Quarter 2016	$ 0.255	August 12, 2016
Third Quarter 2016	$ 0.255	November 14, 2016

(10) Asset Retirement Obligations

The schedule below summarizes the changes in our asset retirement obligations (in millions):

	Nine Months Ended September 30, 2017
Balance, beginning of period	$13.5
Accretion expense	0.5
Balance, end of period	$14.0

Asset retirement obligations of $14.0 million and $13.5 million were included in “Asset retirement obligations” as non-current liabilities on the consolidated balance sheets as of September 30, 2017 and December 31, 2016, respectively.

(11) Investment in Unconsolidated Affiliates

Our unconsolidated investments consisted of:

- a contractual right to the economic benefits and burdens associated with Devon’s 38.75% ownership interest in Gulf Coast Fractionators (“GCF”) at September 30, 2017 and December 31, 2016;

- an approximate 30% ownership in Cedar Cove Midstream LLC (the “Cedar Cove JV”) at September 30, 2017 and December 31, 2016. On November 9, 2016, we formed the Cedar Cove JV with Kinder Morgan, Inc., which consists of gathering and compression assets in Blaine County, Oklahoma, the heart of the Sooner Trend Anadarko Basin Canadian and Kingfisher Counties play; and

- an approximate 31% common unit ownership interest in Howard Energy Partners (“HEP”) at December 31, 2016, which was sold in March 2017 for aggregate net proceeds of $189.7 million.

The following table shows the activity related to our investment in unconsolidated affiliates for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gulf Coast Fractionators				
Contributions	$—	$—	$—	$—
Distributions	$3.5	$0.9	$10.6	$4.4
Equity in income	$4.5	$2.2	$8.5	$1.1
Howard Energy Partners				
Contributions (1)	$—	$3.2	$—	$45.0
Distributions (2)	$—	$36.5	$—	$47.9
Equity in loss (3)	$—	$(1.1)	$(3.4)	$(1.6)
Cedar Cove JV				
Contributions	$1.5	$—	$11.8	$—
Distributions	$0.5	$—	$0.8	$—
Equity in loss	$(0.1)	$—	$(0.1)	$—
Total				
Contributions (1)	$1.5	$3.2	$11.8	$45.0
Distributions (2)	$4.0	$37.4	$11.4	$52.3
Equity in income (loss) (3)	$4.4	$1.1	$5.0	$(0.5)

(1) Contributions for the three and nine months ended September 30, 2016 included $3.2 million and $32.7 million, respectively, of contributions to HEP for preferred units issued by HEP, which were redeemed during the third quarter of 2016.

(2) Distributions for the three and nine months ended September 30, 2016 included a redemption of $32.7 million of preferred units issued by HEP.

(3) Includes a loss of $3.4 million for the nine months ended September 30, 2017 from the sale of our HEP interests.

The following table shows the balances related to our investment in unconsolidated affiliates as of September 30, 2017 and December 31, 2016 (in millions):

	September 30, 2017	December 31, 2016
Gulf Coast Fractionators	$ 46.4	$ 48.5
Howard Energy Partners	—	193.1
Cedar Cove JV	39.7	28.8
Total investment in unconsolidated affiliates	$ 86.1	$ 270.4

(12) Employee Incentive Plans

(a) Long-Term Incentive Plans

ENLC and ENLK each have similar unit-based compensation payment plans for officers and employees. ENLC grants unit-based awards under the EnLink Midstream, LLC 2014 Long-Term Incentive Plan (the “LLC Plan”), and ENLK grants unit-based awards under the amended and restated EnLink Midstream GP, LLC Long-Term Incentive Plan (the “GP Plan”).

We account for unit-based compensation in accordance with ASC 718, Stock Compensation (“ASC 718”), which requires that compensation related to all unit-based awards be recognized on the consolidated financial statements. Unit-based

22

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

compensation cost is recognized as expense over each award's requisite service period with a corresponding increase to equity or liability based on the terms of each award and the appropriate accounting treatment under ASC 718. Unit-based compensation associated with ENLC's unit-based compensation plan awarded to our officers and employees is recorded by ENLK since ENLC has no substantial or managed operating activities other than its interests in ENLK and EnLink Oklahoma T.O.

Amounts recognized on the consolidated financial statements with respect to these plans are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of unit-based compensation charged to general and administrative expense	$7.4	$5.8	$28.5	$17.7
Cost of unit-based compensation charged to operating expense	2.8	1.6	10.4	4.8
Total unit-based compensation expense	$10.2	$7.4	$38.9	$22.5
Non-controlling interest in unit-based compensation	$3.9	$2.7	$14.6	$8.3
Amount of related income tax benefit recognized in net income (1)	$2.4	$1.7	$9.1	$5.4

(1) For the nine months ended September 30, 2017, the amount of related income tax benefit recognized in net income excluded $2.3 million of income tax expense related to tax deficiencies recorded on vested units, which were recognized in accordance with the adoption of ASU 2016-09.

(b) EnLink Midstream Partners, LP Restricted Incentive Units

ENLK restricted incentive units are valued at their fair value at the date of grant, which is equal to the market value of the common units on such date. A summary of the restricted incentive unit activity for the nine months ended September 30, 2017 is provided below:

	Nine Months Ended September 30, 2017	
EnLink Midstream Partners, LP Restricted Incentive Units:	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	2,024,820	$ 19.05
Granted (1)	859,595	18.41
Vested (1)(2)	(851,753)	25.90
Forfeited	(32,225)	16.28
Non-vested, end of period	2,000,437	$ 15.91
Aggregate intrinsic value, end of period (in millions)	$33.5	

(1) Restricted incentive units typically vest at the end of three years. In March 2017, ENLK granted 262,288 restricted incentive units with a fair value of $5.1 million to officers and certain employees as bonus payments for 2016, and

these restricted incentive units vested immediately and are included in the restricted incentive units granted and vested line items.

(2) Vested units included 273,848 units withheld for payroll taxes paid on behalf of employees.

A summary of the restricted incentive units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) for the three and nine months ended September 30, 2017 and 2016 is provided below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
EnLink Midstream Partners, LP Restricted Incentive Units:	2017	2016	2017	2016
Aggregate intrinsic value of units vested	$ 0.6	$ 0.3	$ 16.3	$ 4.1
Fair value of units vested	$ 1.1	$ 0.5	$ 22.1	$ 9.5

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

As of September 30, 2017, there was $14.6 million of unrecognized compensation cost related to non-vested ENLK restricted incentive units. That cost is expected to be recognized over a weighted-average period of 1.7 years.

(c) EnLink Midstream Partners, LP Performance Units

For the nine months ended September 30, 2017, the General Partner and EnLink Midstream Manager, LLC, our managing member, granted performance awards under the GP Plan and the LLC Plan, respectively. The performance award agreements provide that the vesting of restricted incentive units granted thereunder is dependent on the achievement of certain total shareholder return ("TSR") performance goals relative to the TSR achievement of a peer group of companies (the "Peer Companies") over the applicable performance period. The performance award agreements contemplate that the Peer Companies for an individual performance award (the "Subject Award") are the companies comprising the Alerian MLP Index for Master Limited Partnerships ("AMZ"), excluding ENLC and ENLK (collectively, "EnLink"), on the grant date for the Subject Award. The performance units will vest based on the percentile ranking of the average of ENLC's and ENLK's TSR achievement ("EnLink TSR") for the applicable performance period relative to the TSR achievement of the Peer Companies.

At the end of the vesting period, recipients receive distribution equivalents, if any, with respect to the number of performance units vested. The vesting of units range from zero to 200% of the units granted depending on the EnLink TSR as compared to the TSR of the Peer Companies on the vesting date. The fair value of each performance unit is estimated as of the date of grant using a Monte Carlo simulation with the following assumptions used for all performance unit grants made under the plan: (i) a risk-free interest rate based on United States Treasury rates as of the grant date; (ii) a volatility assumption based on the historical realized price volatility of ENLK's common units and the designated peer group securities; (iii) an estimated ranking of ENLK among the designated peer group; and (iv) the distribution yield. The fair value of the performance unit on the date of grant is expensed over a vesting period of approximately three years. The following table presents a summary of the grant-date fair value assumptions by performance unit grant date:

EnLink Midstream Partners, LP Performance Units:	March 2017
Beginning TSR Price	$17.55
Risk-free interest rate	1.62 %
Volatility factor	43.94 %
Distribution yield	8.7 %

The following table presents a summary of the performance units:

	Nine Months Ended September 30, 2017	
EnLink Midstream Partners, LP Performance Units:	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	408,637	$18.27
Granted	176,64[illegible]	18.73

Forfeited	—	—
Non-vested, end of period	585,285	$20.52
Aggregate intrinsic value, end of period (in millions)	$9.8	

As of September 30, 2017, there was $5.9 million of unrecognized compensation cost that related to non-vested ENLK performance units. That cost is expected to be recognized over a weighted-average period of 1.9 years.

(d) EnLink Midstream, LLC Restricted Incentive Units

ENLC restricted incentive units are valued at their fair value at the date of grant, which is equal to the market value of the ENLC common units on such date. A summary of the restricted incentive unit activity for the nine months ended September 30, 2017 is provided below:

	Nine Months Ended September 30, 2017	
EnLink Midstream, LLC Restricted Incentive Units:	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	1,897,298	$ 19.96
Granted (1)	817,201	19.24
Vested (1)(2)	(775,973)	28.28
Forfeited	(31,636)	16.53
Non-vested, end of period	1,906,890	$ 16.32
Aggregate intrinsic value, end of period (in millions)	$ 32.9	

(1) Restricted incentive units typically vest at the end of three years. In March 2017, ENLC granted 258,606 restricted incentive units with a fair value of $5.0 million to officers and certain employees as bonus payments for 2016, and these restricted incentive units vested immediately and are included in the restricted incentive units granted and vested line items.

(2) Vested units included 238,312 units withheld for payroll taxes paid on behalf of employees.

A summary of the restricted incentive units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) for the three and nine months ended September 30, 2017 and 2016 is provided below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
EnLink Midstream, LLC Restricted Incentive Units:	2017	2016	2017	2016
Aggregate intrinsic value of units vested	$ 0.6	$ 0.3	$ 15.2	$ 4.1
Fair value of units vested	$ 1.1	$ 0.6	$ 21.9	$ 12.4

As of September 30, 2017, there was $14.2 million of unrecognized compensation cost related to non-vested ENLC restricted incentive units. The cost is expected to be recognized over a weighted-average period of 1.8 years.

(e) EnLink Midstream, LLC's Performance Units

For the nine months ended September 30, 2017, ENLC granted performance awards under the LLC Plan. At the end of the vesting period, recipients receive distribution equivalents, if any, with respect to the number of performance units vested. The vesting of units range from zero to 200% of the units granted depending on the EnLink TSR as compared to the TSR of the Peer Companies on the vesting date. The fair value of each performance unit is estimated as of the date of grant using a Monte Carlo simulation with the following assumptions used for all performance unit grants made under the plan: (i) a risk-free interest rate based on United States Treasury rates as of the grant date; (ii) a volatility assumption based on the historical realized price volatility of ENLC's common units and the designated peer group securities; (iii) an estimated ranking of ENLC among the designated peer group and (iv) the distribution yield. The fair value of the performance unit on the date of grant is expensed over a vesting period of approximately three years.

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

The following table presents a summary of the grant-date fair value assumptions by performance unit grant date:

EnLink Midstream, LLC Performance Units:	March 2017
Beginning TSR Price	$18.29
Risk-free interest rate	1.62 %
Volatility factor	52.07 %
Distribution yield	5.4 %

The following table presents a summary of the performance units:

	Nine Months Ended September 30, 2017	
EnLink Midstream, LLC Performance Units:	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	384,264	$19.30
Granted	164,575	28.77
Forfeited	—	—
Non-vested, end of period	548,839	$22.14
Aggregate intrinsic value, end of period (in millions)	$9.5	

As of September 30, 2017, there was $6.0 million of unrecognized compensation cost that related to non-vested ENLC performance units. That cost is expected to be recognized over a weighted-average period of 2.0 years.

(13) Derivatives

Interest Rate Swaps

We periodically enter into interest rate swaps in connection with new debt issuances. During the debt issuance process, we are exposed to variability in future long-term debt interest payments that may result from changes in the benchmark interest rate (commonly the U.S. Treasury yield) prior to the debt being issued. In order to hedge this variability, we enter into interest rate swaps to effectively lock in the benchmark interest rate at the inception of the swap. Prior to 2017, we did not designate interest rate swaps as hedges and, therefore, included the associated settlement gains and losses as interest expense on the consolidated statements of operations.

In May 2017, we entered into an interest rate swap in connection with the issuance of the 2047 Notes. In accordance with ASC 815, we designated this swap as a cash flow hedge. Upon settlement of the interest rate swap in May 2017, we recorded the associated $2.2 million settlement loss in accumulated other comprehensive loss on the consolidated balance sheets. We will amortize the settlement loss into interest expense on the consolidated statements of operations over the term of the 2047 Notes. There was no ineffectiveness related to the hedge. We have no open interest rate swap positions as of September 30, 2017. In addition, the settlement loss is included as an operating cash outflow on the consolidated statements of cash flows.

For the three and nine months ended September 30, 2017, we amortized an immaterial amount of the settlement loss into interest expense from accumulated other comprehensive income (loss). We expect to recognize $0.1 million of interest expense out of accumulated other comprehensive income (loss) over the next twelve months.

In July 2016, we entered into an interest rate swap in connection with ENLK’s issuance of its 4.85% senior unsecured notes due 2026. We did not designate this swap as a cash flow hedge. Upon settlement of the interest rate swap in July 2016, we recorded the associated $0.4 million gain on settlement in other income (expense) in the consolidated statements of operations for the three and nine months ended September 30, 2016.

Commodity Swaps

We manage our exposure to changes in commodity prices by hedging the impact of market fluctuations. Commodity swaps are used to manage and hedge price and location risk related to these market exposures. Commodity swaps are also used to manage margins on offsetting fixed-price purchase or sale commitments for physical quantities of crude, condensate, natural gas and NGLs. We do not designate commodity swap transactions as cash flow or fair value hedges for hedge accounting treatment under ASC 815. Therefore, changes in the fair value of our derivatives are recorded in revenue in the period incurred. In addition, our risk management policy does not allow us to take speculative positions with our derivative contracts.

We commonly enter into index (float-for-float) or fixed-for-float swaps in order to mitigate our cash flow exposure to fluctuations in the future prices of natural gas, NGLs and crude oil. For natural gas, index swaps are used to protect against the price exposure of daily priced gas versus first-of-month priced gas. They are also used to hedge the basis location price risk resulting from supply and markets being priced on different indices. For natural gas, NGLs, condensate and crude, fixed-for-float swaps are used to protect cash flows against price fluctuations: (1) where we receive a percentage of liquids as a fee for processing third-party gas or where we receive a portion of the proceeds of the sales of natural gas and liquids as a fee, (2) in the natural gas processing and fractionation components of our business and (3) where we are mitigating the price risk for product held in inventory or storage.

The components of gain (loss) on derivative activity on the consolidated statements of operations related to commodity swaps are (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Change in fair value of derivatives	$(3.3)	$(1.6)	$3.8	$(16.0)
Realized gain (loss) on derivatives	(2.2)	1.1	(4.9)	9.4
Loss on derivative activity	$(5.5)	$(0.5)	$(1.1)	$(6.6)

The fair value of derivative assets and liabilities related to commodity swaps are as follows (in millions):

	September 30, 2017	December 31, 2016
Fair value of derivative assets — current	$ 4.6	$ 1.3
Fair value of derivative assets — long-term	0.1	—
Fair value of derivative liabilities — current	(7.2)	(7.6)
Net fair value of derivatives	$ (2.5)	$ (6.3)

Assets and liabilities related to our derivative contracts are included in the fair value of derivative assets and liabilities, and the change in fair value of these contracts is recorded net as a gain (loss) on derivative activity on the consolidated statements of operations. We estimate the fair value of all of our derivative contracts based upon actively-quoted prices of the underlying commodities.

Set forth below are the summarized notional volumes and fair values of all instruments held for price risk management purposes and related physical offsets at September 30, 2017 (in millions). The remaining term of the contracts extend no later than October 2018.

		September 30, 2017		
Commodity	Instruments	Unit	Volume	Fair Value
NGL (short contracts)	Swaps	Gallons	(35.8)	$ (4.9)
NGL (long contracts)	Swaps	Gallons	25.1	1.9