HOLLY ENERGY PARTNERS LP
Form 10-Q
May 02, 2019

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
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: 1-32225

HOLLY ENERGY PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-0833098 (I.R.S. Employer Identification No.)
2828 N. Harwood, Suite 1300 Dallas, Texas (Address of principal executive offices)	75201 (Zip code)

(214) 871-3555
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Limited Partner Units	HEP	New York Stock Exchange

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ 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 by Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The number of the registrant’s outstanding common units at April 26, 2019, was 105,440,201.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" within the meaning of the federal securities laws. All statements, other than statements of historical fact included in this Form 10-Q, including, but not limited to, those under "Results of Operations" and "Liquidity and Capital Resources" in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I are forward-looking statements. Forward-looking statements use words such as "anticipate," "project," "expect," "plan," "goal," "forecast," "intend," "should," "could," "believe," "may," and similar expressions and statements regarding our plans and objectives for future operations. These statements are based on our beliefs and assumptions and those of our general partner using currently available information and expectations as of the date hereof, are not guarantees of future performance and involve certain risks and uncertainties. Although we and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give assurance that our expectations will prove to be correct. All statements concerning our expectations for future results of operations are based on forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled, stored or throughput in our terminals;
- the economic viability of HollyFrontier Corporation ("HFC"), Delek US Holdings, Inc. ("Delek") and our other customers;
- the demand for refined petroleum products in markets we serve;
- our ability to purchase and integrate future acquired operations;
- our ability to complete previously announced or contemplated acquisitions;
- the availability and cost of additional debt and equity financing;
- the possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;
- the effects of current and future government regulations and policies;
- our operational efficiency in carrying out routine operations and capital construction projects;
- the possibility of terrorist or cyber attacks and the consequences of any such attacks;
- general economic conditions;
- the impact of recent changes in the tax laws and regulations that affect master limited partnerships; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Form 10-Q, including, without limitation, the forward-looking statements that are referred to above. When considering forward-looking statements, you should keep in mind the known material risk factors and other cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2018, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Risk Factors." All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,540	$ 3,045
Accounts receivable:		
Trade	14,585	12,332
Affiliates	36,038	46,786
	50,623	59,118
Prepaid and other current assets	4,066	4,311
Total current assets	66,229	66,474
Properties and equipment, net	1,522,876	1,538,655
Operating lease right-of-use assets, net	76,950	—
Intangible assets, net	111,828	115,329
Goodwill	270,336	270,336
Equity method investments	83,556	83,840
Other assets	30,445	27,906
Total assets	$ 2,162,220	$ 2,102,540
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 9,535	$ 16,435
Affiliates	7,220	14,222
	16,755	30,657
Accrued interest	5,686	13,302
Deferred revenue	7,858	8,697
Accrued property taxes	5,536	1,779
Current operating lease liabilities	5,020	—
Current finance lease liabilities	877	936
Other current liabilities	2,656	2,526
Total current liabilities	44,388	57,897
Long-term debt	1,438,054	1,418,900
Noncurrent operating lease liabilities	72,269	—
Other long-term liabilities	13,362	15,307
Deferred revenue	48,131	48,714
Class B unit	46,941	46,161

Equity:		
Partners' equity:		
Common unitholders (105,440,201 units issued and outstanding at March 31, 2019 and December 31, 2018)	412,117	427,435
Noncontrolling interest	86,958	88,126
Total equity	499,075	515,561
Total liabilities and equity	$ 2,162,220	$ 2,102,540

See accompanying notes.

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HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per unit data)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Affiliates	$103,359	$101,428
Third parties	31,138	27,456
	134,497	128,884
Operating costs and expenses:		
Operations (exclusive of depreciation and amortization)	37,519	36,202
Depreciation and amortization	23,824	25,142
General and administrative	2,620	3,122
	63,963	64,466
Operating income	70,534	64,418
Other income (expense):		
Equity in earnings of equity method investments	2,100	1,279
Interest expense	(19,022)	(17,581)
Interest income	528	515
Gain on sale of assets and other	(310)	86
	(16,704)	(15,701)
Income before income taxes	53,830	48,717
State income tax expense	(36)	(82)
Net income	53,794	48,635
Allocation of net income attributable to noncontrolling interests	(2,612)	(2,467)
Net income attributable to the partners	51,182	46,168
Limited partners' per unit interest in earnings—basic and diluted	$0.49	$0.44
Weighted average limited partners' units outstanding	105,440	103,836

See accompanying notes.

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HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities		
Net income	$53,794	$48,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,824	25,142
Gain on sale of assets	(9)	(22)
Amortization of deferred charges	766	757
Equity-based compensation expense	406	837
Equity in earnings of equity method investments, net of distributions	(112)	243
(Increase) decrease in operating assets:		
Accounts receivable—trade	(2,253)	(1,731)
Accounts receivable—affiliates	10,748	9,870
Prepaid and other current assets	244	(697)
Increase (decrease) in operating liabilities:		
Accounts payable—trade	(2,199)	(814)
Accounts payable—affiliates	(7,002)	3,016
Accrued interest	(7,616)	(7,177)
Deferred revenue	(233)	687
Accrued property taxes	3,757	1,484
Other current liabilities	130	375
Other, net	(3,090)	(85)
Net cash provided by operating activities	71,155	80,520
Cash flows from investing activities		
Additions to properties and equipment	(10,718)	(12,612)
Proceeds from sale of assets	9	22
Distributions in excess of equity in earnings of equity investments	395	358
Net cash used for investing activities	(10,314)	(12,232)
Cash flows from financing activities		
Borrowings under credit agreement	104,000	227,000
Repayments of credit agreement borrowings	(85,000)	(343,500)
Proceeds from issuance of common units	—	114,529
Distributions to HEP unitholders	(67,975)	(63,496)
Distributions to noncontrolling interest	(3,000)	(2,000)
Payments on finance leases	(252)	(277)
Contributions from general partner	—	297
Deferred financing costs	—	6
Units withheld for tax withholding obligations	(119)	(58)
Net cash used by financing activities	(52,346)	(67,499)

Cash and cash equivalents		
Increase for the period	8,495	789
Beginning of period	3,045	7,776
End of period	$11,540	$8,565

See accompanying notes.

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HOLLY ENERGY PARTNERS, L.P.
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(In thousands)

	Common Units	Noncontrolling Interest	Total Equity
Balance December 31, 2018	$427,435	$ 88,126	$515,561
Distributions to HEP unitholders	(67,975)	—	(67,975)
Distributions to noncontrolling interest	—	(3,000)	(3,000)
Amortization of restricted and performance units	406	—	406
Class B unit accretion	(780)	—	(780)
Other	1,069	—	1,069
Net income	51,962	1,832	53,794
Balance March 31, 2019	$412,117	$ 86,958	$499,075

	Common Units	Noncontrolling Interest	Total Equity
Balance December 31, 2017	$393,959	$ 91,106	$485,065
Issuance of common units	114,376	—	114,376
Distributions to HEP unitholders	(63,496)	—	(63,496)
Distributions to noncontrolling interest	—	(2,000)	(2,000)
Amortization of restricted and performance units	837	—	837
Class B unit accretion	(729)	—	(729)
Cumulative transition adjustment for adoption of revenue recognition standard	1,320		1,320
Other	240	—	240
Net income	46,897	1,738	48,635
Balance March 31, 2018	$493,404	$ 90,844	$584,248

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Description of Business and Presentation of Financial Statements

Holly Energy Partners, L.P. (“HEP”), together with its consolidated subsidiaries, is a publicly held master limited partnership. As of March 31, 2019, HollyFrontier Corporation (“HFC”) and its subsidiaries own a 57% limited partner interest and the non-economic general partner interest in HEP. We commenced operations on July 13, 2004, upon the completion of our initial public offering. In these consolidated financial statements, the words “we,” “our,” “ours” and “us” refer to HEP unless the context otherwise indicates.

On October 31, 2017, we closed on an equity restructuring transaction with HEP Logistics Holdings, L.P. (“HEP Logistics”), a wholly-owned subsidiary of HFC and the general partner of HEP, pursuant to which the incentive distribution rights ("IDRs") held by HEP Logistics were canceled, and HEP Logistics' 2% general partner interest in HEP was converted into a non-economic general partner interest in HEP. In consideration, we issued 37,250,000 of our common units to HEP Logistics. In addition, HEP Logistics agreed to waive $2.5 million of limited partner cash distributions for each of twelve consecutive quarters beginning with the first quarter the units issued as consideration were eligible to receive distributions. As a result of this transaction, no distributions were made on the general partner interest after October 31, 2017.

On January 25, 2018, we entered into a common unit purchase agreement in which certain purchasers agreed to purchase in a private placement 3,700,000 common units representing limited partner interests, at a price of $29.73 per common unit. The private placement closed on February 6, 2018, and we received proceeds of approximately $110 million, which were used to repay indebtedness under our revolving credit facility.

We own and operate petroleum product and crude oil pipelines, terminal, tankage and loading rack facilities and refinery processing units that support HFC’s refining and marketing operations in the Mid-Continent, Southwest and Northwest regions of the United States and Delek US Holdings, Inc.’s (“Delek”) refinery in Big Spring, Texas. Additionally, we own a 75% interest in UNEV Pipeline, LLC (“UNEV”), a 50% interest in Osage Pipe Line Company, LLC (“Osage”) and a 50% interest in Cheyenne Pipeline LLC.

We operate in two reportable segments, a Pipelines and Terminals segment and a Refinery Processing Unit segment. Disclosures around these segments are discussed in Note 15.

We generate revenues by charging tariffs for transporting petroleum products and crude oil through our pipelines, by charging fees for terminalling and storing refined products and other hydrocarbons, providing other services at our storage tanks and terminals and by charging fees for processing hydrocarbon feedstocks through our refinery processing units. We do not take ownership of products that we transport, terminal, store or process, and therefore, we are not exposed directly to changes in commodity prices.

The consolidated financial statements included herein have been prepared without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). The interim financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of our results for the interim periods. Such adjustments are considered to be of a normal recurring nature. Although certain notes and other information required by U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018. Results of operations for interim periods are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2019.

Principles of Consolidation and Common Control Transactions

The consolidated financial statements include our accounts and those of subsidiaries and joint ventures that we control. All significant intercompany transactions and balances have been eliminated.

Most of our acquisitions from HFC occurred while we were a consolidated variable interest entity (“VIE”) of HFC. Therefore, as an entity under common control with HFC, we recorded these acquisitions on our balance sheets at HFC's historical basis instead of our purchase price or fair value.

Accounting Pronouncements Adopted During the Periods Presented

Leases
In February 2016, ASU No. 2016-02, "Leases" ("ASC 842") was issued requiring leases to be measured and recognized as a lease liability, with a corresponding right-of-use asset on the balance sheet. We adopted this standard effective January 1, 2019 using the optional transition method, whereby comparative prior period financial information will not be restated and will continue to be reported under the lease accounting standard in effect during those periods. We also elected practical expedients provided by the new standard, including the package of practical expedients whereby we did not reassess lease classification or initial indirect lease cost under the new standard. In addition, we elected to exclude short-term leases, which at inception have a lease term of 12 months or less, from the amounts recognized on our balance sheet. Upon adoption of this standard, we recognized $78.4 million of lease liabilities and corresponding right-of-use assets on our consolidated balance sheet. Adoption of this standard did not have a material impact on our results of operations or cash flows. See Notes 2 and 3 for additional information on our lease policies.

Revenue Recognition
In May 2014, an accounting standard update was issued requiring revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the expected consideration for these goods or services. This standard had an effective date of January 1, 2018, and we accounted for the new guidance using the modified retrospective implementation method, whereby a cumulative effect adjustment was recorded to retained earnings as of the date of initial application. In preparing for adoption, we evaluated the terms, conditions and performance obligations under our existing contracts with customers. Furthermore, we implemented policies to comply with this new standard. See Note 2 for additional information on our revenue recognition policies.

Business Combinations
In December 2014, an accounting standard update was issued to provide new guidance on the definition of a business in relation to accounting for identifiable intangible assets in business combinations. This standard had an effective date of January 1, 2018 and had no effect on our financial condition, results of operations or cash flows.

Financial Assets and Liabilities
In January 2016, an accounting standard update was issued requiring changes in the accounting and disclosures for financial instruments. This standard was effective beginning with our 2018 reporting year and had no effect on our financial condition, results of operations or cash flows.

Note 2: Revenues

Revenues are generally recognized as products are shipped through our pipelines and terminals, feedstocks are processed through our refinery processing units or other services are rendered. The majority of our contracts with customers meet the definition of a lease since (1) performance of the contracts is dependent on specified property, plant, or equipment and (2) it is remote that one or more parties other than the customer will take more than a minor amount of the output associated with the specified property, plant, or equipment. Prior to the adoption of the new lease standard (see Note 1), we bifurcated the consideration received between lease and service revenue. The new lease standard allows the election of a practical expedient whereby a lessor does not have to separate non-lease (service) components from lease components under certain conditions. The majority of our contracts meet these conditions, and we have made this election for those contracts. Under this practical expedient, we treat the combined components as a single performance obligation in accordance with Accounting Standards Codification ("ASC") 606, which largely codified ASU 2014-09, if the non-lease (service) component is the dominant component. If the lease component is the dominant component, we treat the combined components as an operating lease in accordance with ASC 842, which largely codified ASU 2016-02.

We adopted the new revenue recognition standard (see Note 1) using the modified retrospective method, whereby the cumulative effect of applying the new standard was recorded as an adjustment to the opening balance of partners' equity as well as the carrying amounts of assets and liabilities as of January 1, 2018, which had no impact on our cash flows. The following table reflects the cumulative effect of adoption as of January 1, 2018:

	Prior to Adoption	Increase (Decrease)	As Adjusted
	(In thousands)		
Deferred revenue	$9,598	$ (1,320)	$8,278
Partners' equity: Common unitholders	$393,959	$ 1,320	$395,279

Several of our contracts include incentive or reduced tariffs once a certain quarterly volume is met. Revenue from the variable element of these transactions is recognized based on the actual volumes shipped as it relates specifically to rendering the services during the applicable quarter.

The majority of our long-term transportation contracts specify minimum volume requirements, whereby, we bill a customer for a minimum level of shipments in the event a customer ships below their contractual requirements. If there are no future performance obligations, we will recognize these deficiency payments in revenue.

In certain of these throughput agreements, a customer may later utilize such shortfall billings as credit towards future volume shipments in excess of its minimum levels within its respective contractual shortfall make-up period. Such amounts represent an obligation to perform future services, which may be initially deferred and later recognized as revenue based on estimated future shipping levels, including the likelihood of a customer's ability to utilize such amounts prior to the end of the contractual shortfall make-up period. We recognize the service portion of these deficiency payments in revenue when we do not expect we will be required to satisfy these performance obligations in the future based on the pattern of rights exercised by the customer. During the three months ended March 31, 2019, we recognized $3.5 million of these deficiency payments in revenue, of which $0.6 million related to deficiency payments billed in prior periods. As of March 31, 2019, deferred revenue reflected in our consolidated balance sheet related to shortfalls billed was $0.8 million.

A contract liability exists when an entity is obligated to perform future services to a customer for which the entity has received consideration. Since HEP may be required to perform future services for these deficiency payments received, the deferred revenues on our balance sheets were considered contract liabilities. A contract asset exists when an entity has a right to consideration in exchange for goods or services transferred to a customer. Our consolidated balance sheets included the contract assets and liabilities in the table below:

	March 31, 2019	December 31, 2018
	(In thousands)	
Contract assets	$4,986	$ 1,818
Contract liabilities	$(810)	$(1,821)

The contract assets and liabilities include both lease and service components. We recognized $0.6 million of revenue, during the three months ended March 31, 2019, that was previously included in contract liability as of December 31, 2018, and $2.2 million during the three months ended March 31, 2018, that was previously included in contract liability as of January 1, 2018. During the three months ended March 31, 2019, we also recognized $3.2 million of revenue included in contract assets at March 31, 2019.

As of March 31, 2019, we expect to recognize $2.2 billion in revenue related to our unfulfilled performance obligations under the terms of our long-term throughput agreements and operating leases expiring in 2019 through 2036. These agreements provide for changes in the minimum revenue guarantees annually for increases or decreases in the Producer Price Index ("PPI") or Federal Energy Regulatory Commission ("FERC") index, with certain contracts having provisions that limit the level of the rate increases or decreases. We expect to recognize revenue for these unfulfilled performance obligations as shown in the table below (amounts shown in table include both service and lease revenues):

Years Ending December 31,	(In millions)
Remainder of 2019	$ 262
2020	309
2021	299
2022	271
2023	236
Thereafter	833
Total	$ 2,210

Payment terms under our contracts with customers are consistent with industry norms and are typically payable within 10 to 30 days of the date of invoice.

Disaggregated revenues were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Pipelines	$75,100	$72,169
Terminals, tanks and loading racks	37,578	38,181
Refinery processing units	21,819	18,534
	$134,497	$128,884

During the three months ended March 31, 2019, lease revenues amounted to $94.3 million, and service revenues amounted to $40.2 million. Both of these revenues were recorded within affiliates and third parties revenues on our consolidated statement of income.

Note 3: Leases

We adopted ASC 842 effective January 1, 2019, and elected to adopt using the modified retrospective transition method and practical expedients, both of which are provided as options by the standard and further defined in Note 1.

Lessee Accounting

At inception, we determine if an arrangement is or contains a lease. Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our payment obligation under the leasing arrangement. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate ("IBR") to determine the present value of lease payments as most of our leases do not contain an implicit rate. Our IBR represents the interest rate which we would pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term in a similar economic environment. We use the implicit rate when readily determinable.

As a lessee, we lease land, buildings, pipelines, transportation and other equipment to support our operations. These leases can be categorized into operating and finance leases. Operating leases are recorded in operating lease right-of-use assets and current and noncurrent operating lease liabilities on our consolidated balance sheet. Finance leases are included in properties and equipment, current finance lease liabilities and other long-term liabilities on our consolidated balance sheet.

When renewal options are defined in a lease, our lease term includes an option to extend the lease when it is reasonably certain we will exercise that option. Leases with a term of 12 months or less are not recorded on our balance sheet, and lease expense is accounted for on a straight-line basis. In addition, as a lessee, we separate non-lease components that are identifiable and exclude them from the determination of net present value of lease payment obligations.

Our leases have remaining terms of 1 to 26 years, some of which include options to extend the leases for up to 10 years.

Finance Lease Obligations

We have finance lease obligations related to vehicle leases with initial terms of 33 to 48 months. The total cost of assets under finance leases was $5.8 million as of both March 31, 2019 and December 31, 2018, with accumulated depreciation of $4.6 million and $4.3 million as of March 31, 2019 and December 31, 2018, respectively. We include depreciation of finance leases in depreciation and amortization in our consolidated statements of income.

Supplemental balance sheet information related to leases was as follows (in thousands, except for lease term and discount rate):

	March 31, 2019
Operating leases:	
Operating lease right-of-use assets, net	$ 76,950
Current operating lease liabilities	5,020
Noncurrent operating lease liabilities	72,269
Total operating lease liabilities	$ 77,289
Finance leases:	
Properties and equipment	$ 5,832
Accumulated amortization	(4,555)
Properties and equipment, net	$ 1,277
Current finance lease liabilities	$ 877
Other long-term liabilities	583
Total finance lease liabilities	$ 1,460
Weighted average remaining lease term (in years)	
Operating leases	17.8
Finance leases	1.3
Weighted average discount rate	
Operating leases	5.6%
Finance leases	6.6%

Supplemental cash flow and other information related to leases were as follows:

	Three Months Ended March 31, 2019 (in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 1,795
Operating cash flows from finance leases	$ 27
Financing cash flows from finance leases	$ 252

Maturities of lease liabilities were as follows:

	March 31, 2019	
	Operating	Finance
	(in thousands)	
2019	$5,537	$ 797
2020	7,210	607
2021	7,159	158
2022	7,141	18
2023	7,056	17
2024 and thereafter	88,803	—
Total lease payments	122,906	1,597
Less: Imputed interest	(45,617)	(137)
Total lease obligations	77,289	1,460
Less: Current obligations	(5,020)	(877)
Long-term lease obligations	$72,269	$ 583

The components of lease expense were as follows:

	Three Months Ended March 31, 2019
	(in thousands)
Operating lease costs	$ 1,770
Finance lease costs	
Amortization of assets	244
Interest on lease liabilities	27
Variable lease cost	35
Total net lease cost	$ 2,076

Lessor Accounting

As discussed in Note 2, the majority of our contracts with customers meet the definition of a lease. See Note 2 for further discussion of the impact of adoption of this standard on our activities as a lessor.

Substantially all of the assets supporting contracts meeting the definition of a lease have long useful lives, and we believe these assets will continue to have value when the current agreements expire. HFC generally has the option to purchase assets located within HFC refinery boundaries, including refinery tankage, truck racks and refinery processing units, at fair market value when the related agreements expire.

Lease income recognized was as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Operating lease revenues	$94,295	$70,931
Direct financing lease interest income	509	503

As discussed in Note 2, prior to the adoption of ASC 842, contract consideration was bifurcated between operating lease and service revenues.

Annual minimum undiscounted lease payments under our leases were as follows as of March 31, 2019:

	Operating	Finance
Years Ending December 31,	(In thousands)	
Remainder of 2019	$219,696	$1,535
2020	252,820	2,060
2021	246,188	2,076
2022	244,740	2,092
2023	215,060	2,109
Thereafter	715,497	41,853
Less: Imputed Interest	—	(35,183)
Total	$1,894,001	$16,542

Our consolidated balance sheet included finance lease receivables of $16.5 million as of March 31, 2019.

Note 4: Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and debt. The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments. Debt consists of outstanding principal under our revolving credit agreement (which approximates fair value as interest rates are reset frequently at current interest rates) and our fixed interest rate senior notes.

Fair value measurements are derived using inputs (assumptions that market participants would use in pricing an asset or liability) including assumptions about risk. GAAP categorizes inputs used in fair value measurements into three broad levels as follows:

- (Level 1) Quoted prices in active markets for identical assets or liabilities.
- (Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- (Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

The carrying amounts and estimated fair values of our senior notes were as follows:

Financial Instrument	Fair Value Input Level	March 31, 2019 Carrying Value	March 31, 2019 Fair Value	December 31, 2018 Carrying Value	December 31, 2018 Fair Value
		(In thousands)			
Liabilities:					
6% Senior Notes	Level 2	496,054	517,740	495,900	488,310
		$496,054	$517,740	$495,900	$488,310

Level 2 Financial Instruments

Our senior notes are measured at fair value using Level 2 inputs. The fair value of the senior notes is based on market values provided by a third-party bank, which were derived using market quotes for similar type debt instruments. See Note 8 for additional information.

Note 5: Properties and Equipment

The carrying amounts of our properties and equipment are as follows:

	March 31, 2019	December 31, 2018
	(In thousands)	
Pipelines, terminals and tankage	$1,572,859	$ 1,571,338
Refinery assets	347,338	347,338
Land and right of way	86,319	86,298
Construction in progress	26,628	23,482
Other	40,244	41,250
	2,073,388	2,069,706
Less accumulated depreciation	550,512	531,051
	$1,522,876	$ 1,538,655

We capitalized $46 thousand and $0.1 million during the three months ended March 31, 2019 and 2018, respectively, in interest attributable to construction projects.

Depreciation expense was $20.7 million and $20.9 million for the three months ended March 31, 2019 and 2018, respectively, and includes depreciation of assets acquired under capital leases.

Note 6: Intangible Assets

Intangible assets include transportation agreements and customer relationships that represent a portion of the total purchase price of certain assets acquired from Delek in 2005, from HFC in 2008 prior to HEP becoming a consolidated VIE of HFC, from Plains in 2017, and from other minor acquisitions in 2018.

The carrying amounts of our intangible assets are as follows:

	Useful Life	March 31, 2019	December 31, 2018
		(In thousands)	
Delek transportation agreement	30 years	$59,933	$59,933
HFC transportation agreement	10-15 years	75,131	75,131
Customer relationships	10 years	69,683	69,683
Other		50	50
		204,797	204,797
Less accumulated amortization		92,969	89,468
		$111,828	$115,329

Amortization expense was $3.5 million and $4.0 million for the three months ended March 31, 2019 and 2018, respectively. We estimate amortization expense to be $14.0 million for each of the next three years, $9.9 million in 2023, and $9.1 million in 2024.

We have additional transportation agreements with HFC resulting from historical transactions consisting of pipeline, terminal and tankage assets contributed to us or acquired from HFC. These transactions occurred while we were a consolidated VIE of HFC; therefore, our basis in these agreements is zero and does not reflect a step-up in basis to fair value.

Note 7: Employees, Retirement and Incentive Plans

Direct support for our operations is provided by Holly Logistic Services, L.L.C. ("HLS"), an HFC subsidiary, which utilizes personnel employed by HFC who are dedicated to performing services for us. Their costs, including salaries, bonuses, payroll taxes, benefits and other direct costs, are charged to us monthly in accordance with an omnibus agreement that we have with HFC (the "Omnibus Agreement"). These employees participate in the retirement and benefit plans of HFC. Our share of retirement and benefit plan costs was $1.9 million and $1.8 million for the three months ended March 31, 2019 and 2018, respectively.

Under HLS's secondment agreement with HFC (the "Secondment Agreement"), certain employees of HFC are seconded to HLS to provide operational and maintenance services for certain of our processing, refining, pipeline and tankage assets, and HLS reimburses HFC for its prorated portion of the wages, benefits, and other costs related to these employees.
We have a Long-Term Incentive Plan for employees and non-employee directors who perform services for us. The Long-Term Incentive Plan consists of four components: restricted or phantom units, performance units, unit options and unit appreciation rights. Our accounting policy for the recognition of compensation expense for awards with pro-rata vesting (a significant proportion of our awards) is to expense the costs ratably over the vesting periods.

As of March 31, 2019, we had two types of incentive-based awards outstanding, which are described below. The compensation cost charged against income was $0.7 million and $0.8 million for the three months ended March 31, 2019 and 2018, respectively. We currently purchase units in the open market instead of issuing new units for settlement of all unit awards under our Long-Term Incentive Plan. As of March 31, 2019, 2,500,000 units were authorized to be granted under our Long-Term Incentive Plan, of which 1,228,422 have not yet been granted, assuming no forfeitures of the unvested units and full achievement of goals for the unvested performance units.

Restricted and Phantom Units
Under our Long-Term Incentive Plan, we grant restricted units to non-employee directors and phantom units to selected employees who perform services for us, with most awards vesting over a period of one to three years. We previously granted restricted units to selected employees who perform services for us, which vest over a period of three years. Although full ownership of the units does not transfer to the recipients until the units vest, the recipients have distribution rights on these units from the date of grant, and the recipients of the restricted units have voting rights on the restricted units from the date of grant.

The fair value of each restricted or phantom unit award is measured at the market price as of the date of grant and is amortized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

A summary of restricted and phantom unit activity and changes during the three months ended March 31, 2019, is presented below:

Restricted and Phantom Units	Units	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2019 (nonvested)	138,016	$ 31.35
Forfeited	(10,281)	30.14
Outstanding at March 31, 2019 (nonvested)	127,735	$ 31.45

No restricted units were vested and transferred to recipients during the three months ended March 31, 2019. As of March 31, 2019, there was $2.0 million of total unrecognized compensation expense related to unvested restricted and phantom unit grants, which is expected to be recognized over a weighted-average period of 1.4 years.

Performance Units
Under our Long-Term Incentive Plan, we grant performance units to selected officers who perform services for us. Performance units granted are payable in common units at the end of a three-year performance period based upon meeting certain criteria over the performance period. Under the terms of our performance unit grants, some awards are subject to the growth in our distributable cash flow per common unit over the performance period while other awards are subject to "financial performance" and "market performance." Financial performance is based on meeting certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets, while market performance is based on the relative standing of total unitholder return achieved by HEP compared to peer group companies. The number of units ultimately issued under these awards can range from 50% to 150% or 0% to 200%. As of March 31, 2019, estimated unit payouts for outstanding nonvested performance unit awards ranged between 100% and 150% of the target number of performance units granted.

We did not grant any performance units during the three months ended March 31, 2019. Although common units are not transferred to the recipients until the performance units vest, the recipients have distribution rights with respect to the common units from the date of grant.

A summary of performance unit activity and changes for the three months ended March 31, 2019, is presented below:

Performance Units	Units
Outstanding at January 1, 2019 (nonvested)	51,748
Vesting and transfer of common units to recipients	(10,113)
Forfeited	(5,200)
Outstanding at March 31, 2019 (nonvested)	36,435

The grant date fair value of performance units vested and transferred to recipients during the three months ended March 31, 2019 and 2018 was $0.3 million and $0.1 million, respectively. Based on the weighted-average fair value of performance units outstanding at March 31, 2019, of $1.2 million, there was $0.5 million of total unrecognized compensation expense related to nonvested performance units, which is expected to be recognized over a weighted-average period of 1.8 years.

During the three months ended March 31, 2019, we paid $0.3 million for the purchase of our common units in the open market for the issuance and settlement of unit awards under our Long-Term Incentive Plan.

Note 8: Debt

Credit Agreement
We have a $1.4 billion senior secured revolving credit facility (the “Credit Agreement”) expiring in July 2022. The Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. The Credit Agreement is also available to fund letters of credit up to a $50 million sub-limit, and it contains an accordion feature giving us the ability to increase the size of the facility by up to $300 million with additional lender commitments.

Our obligations under the Credit Agreement are collateralized by substantially all of our assets, and indebtedness under the Credit Agreement is guaranteed by our material, wholly-owned subsidiaries. The Credit Agreement requires us to maintain compliance with certain financial covenants consisting of total leverage, senior secured leverage, and interest coverage. It also limits or restricts our ability to engage in certain activities. If, at any time prior to the expiration of the Credit Agreement, HEP obtains two investment grade credit ratings, the Credit Agreement will become unsecured and many of the covenants, limitations, and restrictions will be eliminated.

We may prepay all loans at any time without penalty, except for tranche breakage costs. If an event of default exists under the Credit Agreement, the lenders will be able to accelerate the maturity of all loans outstanding and exercise other rights and remedies. We were in compliance with the covenants as of March 31, 2019.

Senior Notes

We have $500 million in aggregate principal amount of 6% senior unsecured notes due in 2024 (the “ 6% Senior Notes”). We used the net proceeds from our offerings of the 6% Senior Notes to repay indebtedness under our Credit Agreement.

The 6% Senior Notes are unsecured and impose certain restrictive covenants, including limitations on our ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates and enter into mergers. We were in compliance with the restrictive covenants for the 6% Senior Notes as of March 31, 2019. At any time when the 6% Senior Notes are rated investment grade by both Moody’s and Standard & Poor’s and no default or event of default exists, we will not be subject to many of the foregoing covenants. Additionally, we have certain redemption rights at varying premiums over face value under the 6% Senior Notes.

Indebtedness under the 6% Senior Notes is guaranteed by our wholly-owned subsidiaries.

Long-term Debt

The carrying amounts of our long-term debt was as follows:

	March 31, 2019	December 31, 2018
	(In thousands)	
Credit Agreement		
Amount outstanding	$942,000	$923,000
6% Senior Notes		
Principal	500,000	500,000
Unamortized premium and debt issuance costs	(3,946)	(4,100)
	496,054	495,900
Total long-term debt	$1,438,054	$1,418,900

Interest Expense and Other Debt Information

Interest expense consists of the following components:

	Three Months Ended March 31, 2019	2018
	(In thousands)	
Interest on outstanding debt:		
Credit Agreement	$10,372	$8,944
6% Senior Notes	7,500	7,500
Amortization of discount and deferred debt issuance costs	766	757
Commitment fees and other	430	477
Total interest incurred	19,068	17,678
Less capitalized interest	46	97
Net interest expense	$19,022	$17,581
Cash paid for interest	$25,918	$16,599

Note 9: Significant Customers

All revenues are domestic revenues, of which 83% are currently generated from our two largest customers: HFC and Delek.

The following table presents the percentage of total revenues generated by each of these customers:

	Three Months Ended March 31,	
	2019	2018
HFC	77 %	79 %
Delek	6 %	5 %

Note 10: Related Party Transactions

We serve HFC's refineries under long-term pipeline, terminal and tankage throughput agreements, and refinery processing unit tolling agreements expiring from 2019 to 2036. Under these agreements, HFC agrees to transport, store and process throughput volumes of refined product, crude oil and feedstocks on our pipelines, terminals, tankage, loading rack facilities and refinery processing units that result in minimum annual payments to us. These minimum annual payments or revenues are subject to annual rate adjustments on July 1st each year generally based on increases or decreases in PPI or the FERC index. As of March 31, 2019, these agreements with HFC require minimum annualized payments to us of $303 million.

If HFC fails to meet its minimum volume commitments under the agreements in any quarter, it will be required to pay us the amount of any shortfall in cash by the last day of the month following the end of the quarter. Under certain of these agreements, a shortfall payment may be applied as a credit in the following four quarters after its minimum obligations are met.

Under certain provisions of the Omnibus Agreement, we pay HFC an annual administrative fee (currently $2.5 million) for the provision by HFC or its affiliates of various general and administrative services to us. This fee does not include the salaries of personnel employed by HFC who perform services for us on behalf of HLS or the cost of their employee benefits, which are charged to us separately by HFC. Also, we reimburse HFC and its affiliates for direct expenses they incur on our behalf.

Related party transactions with HFC are as follows:

- Revenues received from HFC were $103.4 million and $101.4 million for the three months ended March 31, 2019 and 2018, respectively.
- HFC charged us general and administrative services under the Omnibus Agreement of $0.6 million for each of the three months ended March 31, 2019 and 2018.
- We reimbursed HFC for costs of employees supporting our operations of $13.6 million and $12.7 million for the three months ended March 31, 2019 and 2018, respectively.
- HFC reimbursed us $1.8 million and $1.2 million for the three months ended March 31, 2019 and 2018, respectively, for expense and capital projects.
- We distributed $37.3 million and $36.3 million in the three months ended March 31, 2019 and 2018, respectively, to HFC as regular distributions on its common units.
- Accounts receivable from HFC were $36.0 million and $46.8 million at March 31, 2019, and December 31, 2018, respectively.
- Accounts payable to HFC were $7.2 million and $14.2 million at March 31, 2019, and December 31, 2018, respectively.
- Deferred revenue in the consolidated balance sheets at March 31, 2019 and December 31, 2018, included $0.6 million and $1.7 million, respectively, relating to certain shortfall billings to HFC.
- We received finance lease payments from HFC for use of our Artesia and Tulsa railyards of $0.5 million for each of the three months ended March 31, 2019 and 2018.

Note 11: Partners' Equity, Income Allocations and Cash Distributions

As of March 31, 2019, HFC held 59,630,030 of our common units, constituting a 57% limited partner interest in us, and held the non-economic general partner interest.

On January 25, 2018, we entered into a common unit purchase agreement in which certain purchasers agreed to purchase in a private placement 3,700,000 common units representing limited partnership interests, at a price of

$29.73 per common unit. The private placement closed on February 6, 2018, and we received proceeds of approximately $110 million, which were used to repay indebtedness under our Credit Agreement.

Continuous Offering Program
We have a continuous offering program under which we may issue and sell common units from time to time, representing limited partner interests, up to an aggregate gross sales amount of $200 million. For the three months ended March 31, 2019, HEP did not issue units under this program. As of March 31, 2019, HEP has issued 2,413,153 units under this program, providing $82.3 million in gross proceeds.

We intend to use our net proceeds for general partnership purposes, which may include funding working capital, repayment of debt, acquisitions and capital expenditures. Amounts repaid under the Credit Agreement may be reborrowed from time to time.

Allocations of Net Income
Net income attributable to HEP is allocated to the partners based on their weighted-average ownership percentage during the period.

Cash Distributions
On April 18, 2019, we announced our cash distribution for the first quarter of 2019 of $0.670 per unit. The distribution is payable on all common units and will be paid May 14, 2019, to all unitholders of record on April 29, 2019. However, HEP Logistics waived $2.5 million in limited partner cash distributions due to them as discussed in Note 1.

Our regular quarterly cash distribution to the limited partners will be $68.2 million for the three months ended March 31, 2019 and was $66.6 million for the three months ended March 31, 2018. Our distributions are declared subsequent to quarter end; therefore, these amounts do not reflect distributions paid during the respective period.

As a master limited partnership, we distribute our available cash, which historically has exceeded our net income attributable to HEP because depreciation and amortization expense represents a non-cash charge against income. The result is a decline in our partners' equity since our regular quarterly distributions have exceeded our quarterly net income attributable to HEP. Additionally, if the asset contributions and acquisitions from HFC had occurred while we were not a consolidated VIE of HFC, our acquisition cost, in excess of HFC's historical basis in the transferred assets, would have been recorded in our financial statements at the time of acquisition as increases to our properties and equipment and intangible assets instead of decreases to our partners' equity.

Note 12: Net Income Per Limited Partner Unit

Net income per unit applicable to the limited partners is computed using the two-class method, since we have more than one participating security (common units and restricted units).

To the extent net income attributable to the partners exceeds or is less than cash distributions, this difference is allocated to the partners based on their weighted-average ownership percentage during the period, after consideration of any priority allocations of earnings. Our dilutive securities, restricted units, are immaterial for all periods presented.

For purposes of applying the two-class method, including the allocation of cash distributions in excess of earnings, net income per limited partner unit is computed as follows:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Net income attributable to the partners	$51,182	$46,168
Limited partner's distribution declared on common units	(68,233)	(66,551)

Distributions in excess of net income attributable to the partners	$(17,051)	$(20,383)

	Three Months Ended March 31,	
	2019	2018
	(In thousands, except per unit data)	
Net income attributable to the partners:		
Distributions declared	$68,233	$66,551
Distributions in excess of net income attributable to the partners	(17,051)	(20,383)
Net income attributable to the partners	$51,182	$46,168
Weighted average limited partners' units outstanding	105,440	103,836
Limited partners' per unit interest in earnings - basic and diluted	$0.49	$0.44

Note 13: Environmental

We incurred no expenses for the three months ended March 31, 2019 and 2018 for environmental remediation obligations. The accrued environmental liability, net of expected recoveries from indemnifying parties, reflected in our consolidated balance sheets was $6.0 million and $6.3 million at March 31, 2019 and December 31, 2018, respectively, of which $4.0 million and $4.3 million, respectively, were classified as other long-term liabilities. These accruals include remediation and monitoring costs expected to be incurred over an extended period of time.

Under the Omnibus Agreement and certain transportation agreements and purchase agreements with HFC, HFC has agreed to indemnify us, subject to certain monetary and time limitations, for environmental noncompliance and remediation liabilities associated with certain assets transferred to us from HFC and occurring or existing prior to the date of such transfers. As of both March 31, 2019 and December 31, 2018, our consolidated balance sheets included additional accrued environmental liabilities of $0.5 million for HFC indemnified liabilities, and other assets included equal and offsetting balances representing amounts due from HFC related to indemnifications for environmental remediation liabilities.

Note 14: Contingencies

We are a party to various legal and regulatory proceedings, none of which we believe will have a material adverse impact on our financial condition, results of operations or cash flows.

Note 15: Segment Information

Although financial information is reviewed by our chief operating decision makers from a variety of perspectives, they view the business in two reportable operating segments: pipelines and terminals, and refinery processing units. These operating segments adhere to the accounting polices used for our consolidated financial statements.

Pipelines and terminals have been aggregated as one reportable segment as both pipeline and terminals (1) have similar economic characteristics, (2) similarly provide logistics services of transportation and storage of petroleum products, (3) similarly support the petroleum refining business, including distribution of its products, (4) have principally the same customers and (5) are subject to similar regulatory requirements.

We evaluate the performance of each segment based on its respective operating income. Certain general and administrative expenses and interest and financing costs are excluded from segment operating income as they are not directly attributable to a specific reportable segment. Identifiable assets are those used by the segment, whereas other assets are principally equity method investments, cash, deposits and other assets that are not associated with a specific reportable reportable segment.

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Revenues:		
Pipelines and terminals - affiliate	$81,540	$82,894
Pipelines and terminals - third-party	31,138	27,456
Refinery processing units - affiliate	21,819	18,534
Total segment revenues	$134,497	$128,884
Segment operating income:		
Pipelines and terminals	$63,232	$60,213
Refinery processing units	9,922	7,327
Total segment operating income	73,154	67,540
Unallocated general and administrative expenses	(2,620)	(3,122)
Interest and financing costs, net	(18,494)	(17,066)
Equity in earnings of unconsolidated affiliates	2,100	1,279
Gain on sale of assets and other	(310)	86
Income before income taxes	$53,830	$48,717
Capital Expenditures:		
Pipelines and terminals	$10,718	$12,612
Refinery processing units	—	—
Total capital expenditures	$10,718	$12,612

	March 31, 2019	December 31, 2018
	(In thousands)	
Identifiable assets:		
Pipelines and terminals [1]	$1,740,292	$ 1,692,282
Refinery processing units	313,719	312,888
Other	108,209	97,370
Total identifiable assets	$2,162,220	$ 2,102,540

(1) Includes goodwill of $270.3 million as of March 31, 2019 and December 31, 2018.

Note 16: Supplemental Guarantor/Non-Guarantor Financial Information

Obligations of HEP ("Parent") under the 6% Senior Notes have been jointly and severally guaranteed by each of its direct and indirect 100% owned subsidiaries ("Guarantor Subsidiaries"). These guarantees are full and unconditional, subject to certain customary release provisions. These circumstances include (i) when a Guarantor Subsidiary is sold or sells all or substantially all of its assets, (ii) when a Guarantor Subsidiary is declared "unrestricted" for covenant purposes, (iii) when a Guarantor Subsidiary's guarantee of other indebtedness is terminated or released and (iv) when the requirements for legal defeasance or covenant defeasance or to discharge the senior notes have been satisfied.

The following financial information presents condensed consolidating balance sheets, statements of comprehensive income, and statements of cash flows of the Parent, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. The information has been presented as if the Parent accounted for its ownership in the Guarantor Subsidiaries, and the Guarantor Restricted Subsidiaries accounted for the ownership of the Non-Guarantor Non-Restricted Subsidiaries, using the equity method of accounting.

Condensed Consolidating Balance Sheet

March 31, 2019	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$2	$8,640	$ 2,898	$—	$11,540
Accounts receivable	—	43,652	6,971	—	50,623
Prepaid and other current assets	409	3,284	373	—	4,066
Total current assets	411	55,576	10,242	—	66,229
Properties and equipment, net	—	1,181,098	341,778	—	1,522,876
Operating leases right-of-use assets	—	76,950	—	—	76,950
Investment in subsidiaries	1,847,226	260,874	—	(2,108,100)	—
Intangible assets, net	—	111,828	—	—	111,828
Goodwill	—	270,336	—	—	270,336
Equity method investments	—	83,556	—	—	83,556
Other assets	8,673	21,772	—	—	30,445
Total assets	$1,856,310	$2,061,990	$ 352,020	$(2,108,100)	$2,162,220
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$—	$15,847	$ 908	$—	$16,755
Accrued interest	5,687	(1)	—	—	5,686
Deferred revenue	—	7,048	810	—	7,858
Accrued property taxes	—	3,522	2,014	—	5,536
Current maturities of operating leases	—	4,955	65	—	5,020
Current maturities of finance leases	—	877	—	—	877
Other current liabilities	192	2,459	5	—	2,656
Total current liabilities	5,879	34,707	3,802	—	44,388
Long-term debt	1,438,054	—	—	—	1,438,054
Noncurrent operating lease liabilities	—	72,269	—	—	72,269

Other long-term liabilities	260	12,716	386	—	13,362
Deferred revenue	—	48,131	—	—	48,131
Class B unit	—	46,941	—	—	46,941
Equity - partners	412,117	1,847,226	260,874	(2,108,100)	412,117
Equity - noncontrolling interest	—	—	86,958	—	86,958
Total liabilities and equity	$1,856,310	$2,061,990	$ 352,020	$(2,108,100)	$2,162,220

Condensed Consolidating Balance Sheet

December 31, 2018	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Non-Restricted Subsidiaries	Eliminations	Consolidated
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$2	$—	$ 3,043	$—	$3,045
Accounts receivable	—	53,376	5,994	(252)	59,118
Prepaid and other current assets	217	3,542	552	—	4,311
Total current assets	219	56,918	9,589	(252)	66,474
Properties and equipment, net	—	1,193,181	345,474	—	1,538,655
Investment in subsidiaries	1,850,416	264,378	—	(2,114,794)	—
Intangible assets, net	—	115,329	—	—	115,329
Goodwill	—	270,336	—	—	270,336
Equity method investments	—	83,840	—	—	83,840
Other assets	9,291	18,615	—	—	27,906
Total assets	$1,859,926	$2,002,597	$ 355,063	$(2,115,046)	$2,102,540
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$—	$30,325	$ 584	$(252)	$30,657
Accrued interest					