



CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AND
MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

CNX Midstream Partners LP

As of September 30, 2020 and December 31, 2019 and for the Three Months Ended September 30, 2020 and 2019

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PART I: FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|------------------|--|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | |
| Gathering revenue — related party | \$ 53,113 | \$ 55,453 | \$ 169,494 | \$ 168,434 |
| Gathering revenue — third party | 16,199 | 18,523 | 45,901 | 55,862 |
| Miscellaneous income | — | — | 151 | — |
| Total Revenue | 69,312 | 73,976 | 215,546 | 224,296 |
| Expenses | | | | |
| Operating expense — related party <i>(Note 4)</i> | 3,730 | 6,105 | 11,925 | 18,167 |
| Operating expense — third party | 7,017 | 5,612 | 21,662 | 17,774 |
| General and administrative expense — related party | 2,968 | 3,573 | 8,573 | 11,567 |
| General and administrative expense — third party | 4,442 | 1,236 | 8,792 | 4,136 |
| Loss on asset sales and abandonments | — | — | 1,652 | 7,229 |
| Depreciation expense | 8,466 | 6,184 | 24,253 | 17,694 |
| Interest expense | 8,308 | 7,601 | 25,718 | 22,625 |
| Total Expense | 34,931 | 30,311 | 102,575 | 99,192 |
| Net Income | 34,381 | 43,665 | 112,971 | 125,104 |
| Less: Net loss attributable to noncontrolling interest | (875) | (298) | (54) | (711) |
| Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP | \$ 35,256 | \$ 43,963 | \$ 113,025 | \$ 125,815 |

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except number of limited partner units)

| | (Unaudited) September 30, 2020 | December 31, 2019 |
|--|--------------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 5,861 | \$ 31 |
| Receivables — related party | 18,232 | 21,076 |
| Receivables — third party, net (<i>Note 2</i>) | 5,356 | 7,935 |
| Other current assets | 2,119 | 1,976 |
| Total Current Assets | 31,568 | 31,018 |
| Property and Equipment (<i>Note 5</i>): | | |
| Property and equipment | 1,340,015 | 1,302,566 |
| Less — accumulated depreciation | 131,292 | 106,975 |
| Property and Equipment — Net | 1,208,723 | 1,195,591 |
| Other Assets: | | |
| Operating lease right-of-use assets | 159 | 4,731 |
| Other assets | 2,453 | 3,262 |
| Total Other Assets | 2,612 | 7,993 |
| TOTAL ASSETS | \$ 1,242,903 | \$ 1,234,602 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Current Liabilities: | | |
| Trade accounts payable | \$ 8,562 | \$ 15,683 |
| Accrued interest payable | 1,194 | 7,973 |
| Accrued liabilities | 11,586 | 43,634 |
| Due to related party (<i>Note 4</i>) | 52,474 | 4,787 |
| Total Current Liabilities | 73,816 | 72,077 |
| Other Liabilities: | | |
| Long-term liabilities — related party (<i>Note 4</i>) | 85,000 | — |
| Long-Term Debt: | | |
| Revolving credit facility (<i>Note 6</i>) | 343,000 | 311,750 |
| Senior Notes (<i>Note 6</i>) | 394,872 | 394,162 |
| Total Long-Term Debt | 737,872 | 705,912 |
| TOTAL LIABILITIES | 896,688 | 777,989 |
| Partners' Capital and Noncontrolling Interest: | | |
| Limited partner units (none issued and outstanding at September 30, 2020 and 63,736,622 issued and outstanding at December 31, 2019) | 277,409 | 380,473 |
| General partner interest | — | 7,280 |
| Partners' capital attributable to CNX Midstream Partners LP | 277,409 | 387,753 |
| Noncontrolling interest | 68,806 | 68,860 |
| Total Partners' Capital and Noncontrolling Interest | 346,215 | 456,613 |
| TOTAL LIABILITIES AND PARTNERS' CAPITAL | \$ 1,242,903 | \$ 1,234,602 |

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND NONCONTROLLING INTEREST
(Dollars in thousands)
(Unaudited)

| Three Months Ended September 30, 2020 | | | | | |
|--|-------------------|---------------|--------------------------|-------------------------|-------------------|
| | Partners' Capital | | Total | | |
| | Limited Partners | Class B Units | Attributable to Partners | Noncontrolling Interest | Total |
| Balance at June 30, 2020 | \$ 251,862 | \$ 34,590 | \$ 286,452 | \$ 69,681 | \$ 356,133 |
| Net income (loss) | 35,256 | — | 35,256 | (875) | 34,381 |
| Quarterly distributions to unitholders | (44,900) | — | (44,900) | — | (44,900) |
| Merger-related transaction | 34,590 | (34,590) | — | — | — |
| Unit-based compensation | 601 | — | 601 | — | 601 |
| Balance at September 30, 2020 | <u>\$ 277,409</u> | <u>\$ —</u> | <u>\$ 277,409</u> | <u>\$ 68,806</u> | <u>\$ 346,215</u> |

| Three Months Ended September 30, 2019 | | | | | |
|---|-------------------|------------------|--------------------------|-------------------------|-------------------|
| | Partners' Capital | | Total | | |
| | Limited Partners | General Partner | Attributable to Partners | Noncontrolling Interest | Total |
| Balance at June 30, 2019 | \$ 344,530 | \$ 13,050 | \$ 357,580 | \$ 67,458 | \$ 425,038 |
| Net income (loss) | 36,860 | 7,103 | 43,963 | (298) | 43,665 |
| Contributions from general partner and noncontrolling interest holders, net | — | 1 | 1 | — | 1 |
| Quarterly distributions to unitholders | (24,633) | (6,004) | (30,637) | — | (30,637) |
| Unit-based compensation | 328 | — | 328 | — | 328 |
| Balance at September 30, 2019 | <u>\$ 357,085</u> | <u>\$ 14,150</u> | <u>\$ 371,235</u> | <u>\$ 67,160</u> | <u>\$ 438,395</u> |

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND NONCONTROLLING INTEREST
(Dollars in thousands)
(Unaudited)

| Nine Months Ended September 30, 2020 | | | | | | |
|--|-------------------|---------------|-----------------|--------------------------|-------------------------|-------------------|
| | Partners' Capital | | | Total Capital | | |
| | Limited Partners | Class B Units | General Partner | Attributable to Partners | Noncontrolling Interest | Total |
| Balance at December 31, 2019 | \$ 380,473 | \$ — | \$ 7,280 | \$ 387,753 | \$ 68,860 | \$ 456,613 |
| Net income (loss) | 113,025 | — | — | 113,025 | (54) | 112,971 |
| Quarterly distributions to unitholders | (89,545) | — | — | (89,545) | — | (89,545) |
| IDR Elimination Transaction | (162,310) | 34,590 | (7,280) | (135,000) | — | (135,000) |
| Merger-related transaction | 34,590 | (34,590) | — | — | — | — |
| Unit-based compensation | 1,485 | — | — | 1,485 | — | 1,485 |
| Vested units withheld for taxes | (309) | — | — | (309) | — | (309) |
| Balance at September 30, 2020 | <u>\$ 277,409</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 277,409</u> | <u>\$ 68,806</u> | <u>\$ 346,215</u> |

| Nine Months Ended September 30, 2019 | | | | | | |
|---|-------------------|------------------|--------------------------|-------------------------|-------------------|--|
| | Partners' Capital | | Total Capital | | | |
| | Limited Partners | General Partner | Attributable to Partners | Noncontrolling Interest | Total | |
| Balance at December 31, 2018 | \$ 320,543 | \$ 10,900 | \$ 331,443 | \$ 67,871 | \$ 399,314 | |
| Net income (loss) | 107,108 | 18,707 | 125,815 | (711) | 125,104 | |
| Contributions from general partner and noncontrolling interest holders, net | — | 31 | 31 | — | 31 | |
| Quarterly distributions to unitholders | (71,357) | (15,488) | (86,845) | — | (86,845) | |
| Unit-based compensation | 1,481 | — | 1,481 | — | 1,481 | |
| Vested units withheld for taxes | (690) | — | (690) | — | (690) | |
| Balance at September 30, 2019 | <u>\$ 357,085</u> | <u>\$ 14,150</u> | <u>\$ 371,235</u> | <u>\$ 67,160</u> | <u>\$ 438,395</u> | |

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|------------------------------------|------------------|
| | 2020 | 2019 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 112,971 | \$ 125,104 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense and amortization of debt issuance costs | 25,668 | 19,107 |
| Unit-based compensation | 1,485 | 1,481 |
| Loss on asset sales and abandonments | 1,652 | 7,229 |
| Other | 478 | 49 |
| Changes in assets and liabilities: | | |
| Due to/from affiliate | 562 | (1,622) |
| Receivables — third party | 2,579 | 954 |
| Other current and non-current assets | 4,533 | (5,301) |
| Accounts payable and other accrued liabilities | (25,925) | 28,679 |
| Net Cash Provided by Operating Activities | 124,003 | 175,680 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (59,649) | (251,156) |
| Proceeds from sale of assets | 80 | — |
| Net Cash Used in Investing Activities | (59,569) | (251,156) |
| Cash Flows from Financing Activities: | | |
| Contributions from general partner and noncontrolling interest holders, net | — | 31 |
| Vested units withheld for unitholder taxes | (309) | (690) |
| Quarterly distributions to unitholders | (89,545) | (86,845) |
| Net borrowings on secured \$600.0 million credit facility | 31,250 | 162,000 |
| Debt issuance costs | — | (1,251) |
| Net Cash (Used in) Provided by Financing Activities | (58,604) | 73,245 |
| Net Increase (Decrease) in Cash | 5,830 | (2,231) |
| Cash at Beginning of Period | 31 | 3,966 |
| Cash at End of Period | \$ 5,861 | \$ 1,735 |
| Cash paid during the period for: | | |
| Interest | \$ 32,231 | \$ 31,274 |
| Noncash investing activities: | | |
| Accrued capital expenditures | \$ 8,396 | \$ 41,596 |

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

CNX MIDSTREAM PARTNERS LP
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF BUSINESS

CNX Midstream Partners LP (the “Partnership”, or “we”, “us”, or “our”) is focused on the ownership, operation, development and acquisition of midstream energy infrastructure in the Appalachian Basin. We currently provide midstream services to our customers’ production in the Marcellus Shale and Utica Shale in Pennsylvania and West Virginia under long-term, fixed-fee contracts. Our assets include natural gas gathering pipelines and compression and dehydration facilities, as well as condensate gathering, collection, separation and stabilization facilities. We are a wholly owned subsidiary of CNX Resources Corporation (NYSE: CNX) (“CNX Resources”). Accordingly, CNX Resources is the sole Sponsor of the Partnership, and we may refer to CNX Resources as the “Sponsor” throughout this quarterly report.

Description of Business

Our midstream assets consist of two operating segments that we refer to as our “Anchor Systems” and “Additional Systems” based on their relative current cash flows, growth profiles, capital expenditure requirements and the timing of their development.

- Our Anchor Systems, in which the Partnership owns a 100% controlling interest, include our most developed midstream systems that generate the largest portion of our current cash flows, including our five primary midstream systems (the McQuay, Majorsville, Dry Ridge, Mamont and Shirley-Penns Systems), a 20” high-pressure pipeline and related assets.
- Our Additional Systems, in which the Partnership owns a 5% controlling interest, include several gathering systems throughout our dedicated acreage. Revenues from our Additional Systems are currently derived primarily from the Pittsburgh Airport area, which is within the wet gas region of our dedicated acreage, and the Wadestown area in the dry gas region.

In order to maintain operational flexibility, our operations are conducted through, and our operating assets are owned by, our operating subsidiaries. However, neither we nor our operating subsidiaries have any employees. Our general partner has the sole responsibility for providing the personnel necessary to conduct our operations, whether through directly hiring employees or by obtaining the services of others, which may include personnel of CNX Resources as provided through contractual relationships with the Partnership. All of the personnel who conduct our business are employed or contracted by our general partner and its affiliates, including our Sponsor, but we sometimes refer to these individuals as our employees because they provide services directly to us. See Note 4—Related Party Transactions for additional information.

Merger Agreement

On July 26, 2020, CNX entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CNXM, CNX Midstream GP LLC (the “General Partner”) and CNX Resources Holding LLC., a wholly owned subsidiary of CNX (“Merger Sub”), pursuant to which Merger Sub merged with and into CNXM with CNXM surviving as an indirect wholly owned subsidiary of CNX (the “Merger”). On September 28, 2020, the Merger was completed and CNX issued 37,054,223 shares of common stock to acquire the 42,107,071 common units of CNXM not owned by CNX prior to the Merger at a fixed exchange ratio of 0.88 shares of CNX common stock for each CNXM common unit, for total implied consideration of \$384,623. As a result of the Merger, CNXM’s common units are no longer publicly traded.

Except for the Class B units of CNXM, which automatically canceled immediately prior to the effective time of the Merger for no consideration in accordance with CNXM’s partnership agreement, the interests in CNXM owned by CNX and its subsidiaries remain outstanding as limited partner interests in the surviving entity. The General Partner will continue to own the non-economic general partner interest in the surviving entity.

IDR Elimination Transaction

On January 29, 2020, prior to the Merger, CNX and CNXM had entered into agreements and consummated a transaction that eliminated CNXM’s incentive distribution rights (“IDRs”) held by its general partner and converted the 2.0% general partner interest in CNXM into a non-economic general partnership interest (collectively, the “IDR Elimination Transaction”).

CNX received the following under the IDR Elimination Transaction in exchange for the cancellation of the IDRs and conversion of the 2.0% general partner interest:

- 26 million CNXM common units;
- 3 million new CNXM Class B units, which were subsequently canceled immediately prior to the effective time of the Merger for no consideration in accordance with CNXM’s partnership agreement;

- \$135.0 million, to be paid in three installments of \$50.0 million due December 31, 2020, \$50.0 million due December 31, 2021 and \$35.0 million due December 31, 2022.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and various disclosures. Actual results could differ from those estimates, which are evaluated on an ongoing basis, utilizing historical experience and other methods considered reasonable under the particular circumstances. Although these estimates are based on management’s best available knowledge at the time, changes in facts and circumstances or discovery of new facts or circumstances may result in revised estimates and actual results may differ from these estimates. Effects on the Partnership’s business, financial position and results of operations resulting from revisions to estimates are recognized when the facts that give rise to the revision become known. In the opinion of management, all adjustments considered necessary for a fair presentation of the accompanying consolidated financial statements have been included.

The balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 2019 included in CNX Midstream Partners LP’s (the “Partnership”, or “we”, “us”, or “our”) Annual Report on Form 10-K as filed with the Securities and Exchange Commission (SEC) on February 10, 2020.

Principles of Consolidation

The consolidated financial statements include the accounts of the Partnership and all of its controlled subsidiaries, including 100% of each of the Anchor Systems and Additional Systems in the applicable periods presented. Although the Partnership has less than a 100% economic interest in the Additional Systems, it has been consolidated fully with the results of the Partnership in the applicable periods as the Partnership is considered to be the primary beneficiary and has a controlling financial interest and the power through its ownership to direct the activities of the Additional Systems. After adjusting for noncontrolling interests, net income attributable to general and limited partner ownership interests in the Partnership reflect only that portion of net income that is attributable to the Partnership. All non-controlling interests in the Additional Systems are held by a subsidiary of CNX.

Transactions between the Partnership and CNX Resources have been identified in the consolidated financial statements as transactions between related parties and are disclosed in Note 4—Related Party Transactions.

Revenue Recognition

We record revenue when obligations under the terms of the contracts with our shippers are satisfied; generally, this occurs on a daily basis as we gather natural gas at the wellhead. Revenue is measured as the amount of consideration we expect to receive in exchange for providing the natural gas gathering services.

Nature of performance obligations

At contract inception, we assess the services promised in our contracts with customers and identify a performance obligation for each promised service that is distinct. To identify the performance obligations, we consider all of the services promised in the contract, regardless of whether they are explicitly stated or are implied by customary business practices.

Our revenue is generated from natural gas gathering activities. The gas gathering services are interruptible in nature and include charges for the volume of gas actually gathered and do not guarantee access to the system. Volumetric-based fees relate to actual volumes gathered. In general, the interruptible gathering of each unit one million British Thermal Units (MMBtu) of natural gas represents a separate performance obligation. Payment terms for these contracts require payment within 25 days of the end of the calendar month in which the hydrocarbons are gathered.

Transaction price allocated to remaining performance obligations

We are required to disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied. However, the guidance provides certain practical expedients that limit this requirement. Substantially all of our revenues are derived from contracts that have terms of greater than one year. Under these contracts, the interruptible gathering of each unit of natural gas represents a separate performance obligation.

For revenue associated with the Shirley-Penns System, for which we have remaining contractual performance obligations, the aggregate amount of the transaction price allocated to those remaining performance obligations was \$338.0 million at September 30, 2020. See Note 4—Related Party Transactions for a detailed breakout of the minimum revenue by year.

The amount of revenue associated with this contract up to the minimum volume commitment (“MVC”) is fixed in nature, and volumes that we may gather above the MVC will be variable in nature. As of September 30, 2020, no future performance obligations exist relative to volumes to be gathered in excess of the MVC as the related volumes have not yet been nominated for gathering. Therefore, we have not disclosed the value of unsatisfied performance obligations for the variable aspect of this agreement, nor have we disclosed the value of other unsatisfied performance obligations that are variable in nature.

Prior-period performance obligations

We record revenue when obligations under the terms of the contracts with our shippers are satisfied; generally this occurs on a daily basis when we gather gas at the wellhead. In some cases, we are required to estimate the amount of natural gas that we have gathered during an accounting period and record any differences between our estimates and the actual units of natural gas that we gathered in the following month. We have existing internal controls for our revenue estimation process and related accruals; historically, any identified differences between our revenue estimates and actual revenue received have not been significant. For the quarters ended September 30, 2020 and 2019, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

Contract balances

We invoice customers once our performance obligations have been satisfied, at which point payment becomes unconditional. Accordingly, our contracts with customers do not give rise to contract assets or liabilities. We also have no contract assets recognized from the costs to obtain or fulfill a contract with a customer.

Classification

The fees we charge our affiliates, including our Sponsor, are recorded in gathering revenue — related party in our consolidated statements of operations. Fees from midstream services we perform for third-party shippers are recorded in gathering revenue — third-party in our consolidated statements of operations.

Cash

Cash includes cash on hand and on deposit at banking institutions.

Receivables

On January 1, 2020, the Partnership adopted the guidance under the Financial Accounting Standards Board (the “FASB”) Accounting Standard Update (“ASU”) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Partnership adopted Topic 326 using the prospective transition method.

Prior to adopting Topic 326, the Partnership reserved for specific accounts receivable when it was probable that all or a part of an outstanding balance would not be collected, such as customer bankruptcies. Collectability was determined based on terms of sale, credit status of customers and various other circumstances. We regularly reviewed collectability and established or adjusted the reserve as necessary using the specific identification method. Account balances were charged off against the reserve after all means of collection had been exhausted and the potential for recovery was considered remote.

Under Topic 326, management recorded an allowance for credit losses related to the collectability of third-party customers receivables using the historical aging of the customer receivable balance. Related party receivables between entities under common control are excluded from Topic 326. The collectability was determined based on past events, including historical experience, customer credit rating, as well as current market conditions. We will continue to monitor customer ratings and collectability on a quarterly basis. Account balances will be charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance for credit losses was as follows:

| <i>(in thousands)</i> | September 30, 2020 | December 31, 2019 |
|---------------------------------------|--------------------|-------------------|
| Receivables — Third-Party | \$ 5,432 | 7,935 |
| Allowance for Credit Losses | (76) | — |
| Receivables — Third-Party, Net | \$ 5,356 | \$ 7,935 |

The following represents the rollforward of the allowance for credit losses for the nine months ended September 30, 2020:

| <i>(in thousands)</i> | September 30, 2020 |
|---|--------------------|
| Balance as of December 31, 2019 | \$ — |
| Expense to increase the reserve | 76 |
| Balance as of September 30, 2020 | \$ 76 |

Fair Value Measurement

The FASB Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements and Disclosures, clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance also relates to all nonfinancial assets and liabilities that are not recognized or disclosed on a recurring basis (e.g., the initial recognition of asset retirement obligations and impairments of long-lived assets). The fair value is the price that we estimate we would receive upon selling an asset or that we would pay to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize input to valuation techniques used to estimate fair value. An asset or liability subject to the fair value requirements is categorized within the hierarchy based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The highest priority (Level 1) is given to unadjusted quoted market prices in active markets for identical assets or liabilities, and the lowest priority (Level 3) is given to unobservable inputs. Level 2 inputs are data, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

The carrying values on our balance sheets of our current assets, current liabilities and revolving credit facility approximate fair values due to their short maturities. We estimate the fair value of our long-term debt, which is not actively traded, using an income approach model that utilizes a discount rate based on market rates for other debt with similar remaining time to maturity and credit risk (Level 2). The estimated fair value of our long-term debt was approximately \$405.7 million and \$370.5 million on September 30, 2020 and December 31, 2019, respectively.

Property and Equipment

Property and equipment is recorded at cost upon acquisition and is depreciated on a straight-line basis over the assets’ estimated useful lives or over the lease terms of the assets. Expenditures which extend the useful lives of existing property and equipment are capitalized. When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized.

The Partnership evaluates whether long-lived assets have been impaired during any given quarter and has processes in place to ensure that we become aware of such indicators. Impairment indicators may include, but are not limited to, sustained decreases in commodity prices, a decline in customer well results and lower throughput forecasts, and increases in construction or operating costs. For such long-lived assets, impairment exists when the carrying amount of an asset or group of assets exceeds our estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or group of assets. If the carrying amount of the long-lived asset(s) is not recoverable, based on the estimated future undiscounted cash flows, the impairment loss would be measured as the excess of the asset’s carrying amount over its estimated fair value. In the event that impairment indicators exist, we conduct an impairment test.

Fair value represents the estimated price between market participants to sell an asset in the principal or most advantageous market for the asset, based on assumptions a market participant would make. When warranted, management assesses the fair value of long-lived assets using commonly accepted techniques and may use more than one source in making such assessments. Sources used to determine fair value include, but are not limited to, recent third-party comparable sales, internally developed discounted cash flow analyses and analyses from outside advisors. Significant changes, such as the condition of an asset or management’s intent to utilize the asset, generally require management to reassess the cash flows related to long-lived assets. No property and equipment impairments were identified during the periods presented in the accompanying consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02–Leases (Topic 842), which increases transparency and comparability among organizations by recognizing right-of-use (“ROU”) lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU maintains a distinction between finance leases and operating leases, which is substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. Retaining this distinction allows the recognition, measurement and presentation of expenses and cash flows arising from a lease to remain similar to the previous accounting treatment. A lessee is permitted to make an accounting policy election by class of underlying asset to exclude from balance sheet recognition any lease assets and lease liabilities with a term of 12 months or less, and instead to recognize lease expense on a straight-line basis over the lease term. For both financing and operating leases, the ROU asset and lease liability are initially measured at the present value of the lease payments. In July 2018, the FASB issued ASU 2018-11 which provides entities with the option to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if necessary.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and accrued liabilities on our consolidated balance sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Environmental Matters

We are subject to various federal, state and local laws and regulations relating to the protection of the environment. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or clean-ups are probable, and the costs can be reasonably estimated. At this time, we are unable to assess the timing and/or effect of potential liabilities related to greenhouse gas emissions or other environmental issues. As of September 30, 2020 and December 31, 2019, we had no material environmental matters that required the recognition of a separate liability or specific disclosure.

Asset Retirement Obligations

Our gathering pipelines and compressor stations have an indeterminate life. If properly maintained, they should operate for an indeterminate period as long as supply and demand for natural gas exists, which we expect for the foreseeable future. We are under no legal or contractual obligation to restore or dismantle our gathering system upon abandonment. Therefore, we have not recorded any liabilities for asset retirement obligations at September 30, 2020 or December 31, 2019.

Variable Interest Entities

Each of the Anchor and Additional Systems is structured as a limited partnership (the “Limited Partnerships”) and a variable interest entity (“VIE”). These VIEs include information regarding the Partnership’s involvement with each of these VIEs and their relative contributions to our financial position, operating results and cash flows.

The Partnership fully consolidates each of the Limited Partnerships through its ownership of CNX Midstream Operating Company LLC (the “Operating Company”). The Operating Company, through its general partner ownership interest in each of the Limited Partnerships during the period in which any ownership interest exists, is considered to be the primary beneficiary for accounting purposes and has the power to direct all substantive strategic and day-to-day operational decisions of the Limited Partnerships.

Income Taxes

We are treated as a partnership for federal and state income tax purposes, with each partner being separately taxed on its share of the Partnership’s taxable income. Accordingly, no provision for federal or state income taxes has been recorded in the Partnership’s consolidated financial statements for any period presented in the accompanying consolidated financial statements.

Equity Compensation

Equity compensation expense for all unit-based compensation awards is based on the grant date fair value estimated in accordance with the provisions of ASC 718–Compensation–Stock Compensation. We recognize unit-based compensation costs on a straight-line basis over the requisite service period of an award, which is generally the same as the award’s vesting term. See Note 8–Long-Term Incentive Plan for further discussion.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04 - Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). This ASU provides optional expedient and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Partnership is still evaluating the effect of adopting this guidance.

In March 2020, the FASB issued ASU 2020-03 - Codification Improvements to Financial Instruments. This ASU improves and clarifies various financial instruments topics, including the Current Expected Credit Loss standard. The ASU includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The amendments in this ASU have different effective dates. The adoption of this guidance is not expected to have a material impact on the Partnership's financial statements.

NOTE 3 — CASH DISTRIBUTIONS

Prior to the Merger, our partnership agreement required that we distribute an amount equal to 100% of Available Cash from Operating Surplus, as those terms were defined in the partnership agreement, within 45 days after the end of each quarter to unitholders of record on the applicable record date, in accordance with the terms below. Subsequent to the Merger there is no formal policy for cash distributions.

Allocations of Available Cash from Operating Surplus and Incentive Distribution Rights

Prior to the IDR Elimination Transaction on January 29, 2020 (See Note 1—Description of Business), the percentage allocations of available cash from operating surplus between the unitholders and our general partner was based on the specified target distribution levels. IDRs represented the right to receive an increasing percentage, up to a maximum of 48% (which did not include the 2% general partner interest), of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels had been achieved.

Cash Distributions

The Board of Directors declared the following cash distributions to the Partnership's common unitholders and to the general partner for the periods presented:

(in thousands, except per unit information)

| Quarters Ended | Quarterly Distribution Per Unit | Total Cash Distribution | Date of Distribution |
|--------------------------------------|------------------------------------|----------------------------|----------------------|
| Year ending December 31, 2019 | | | |
| March 31, 2019 | \$ 0.3732 | \$ 28,940 | May 14, 2019 |
| June 30, 2019 | \$ 0.3865 | \$ 30,637 | August 14, 2019 |
| September 30, 2019 | \$ 0.4001 | \$ 32,371 | November 12, 2019 |
| December 31, 2019 | \$ 0.4143 | \$ 37,201 | February 13, 2020 |
| Year ending December 31, 2020 | | | |
| March 31, 2020 | \$ 0.0829 | \$ 7,444 | May 15, 2020 |
| June 30, 2020 | \$ 0.5000 | \$ 44,900 | August 14, 2020 |

NOTE 4 — RELATED PARTY TRANSACTIONS

In the ordinary course of business, we engage in related party transactions with CNX Resources (and certain of its subsidiaries) and CNX Gathering, which include the fees we charge and revenues we receive under a fixed fee gathering agreement (including fees associated with electrically-powered compression that CNX Resources reimburses to us) and our

reimbursement of certain expenses to CNX Resources under several agreements, discussed below. In addition, we may waive or modify certain terms under these arrangements in the ordinary course of business, including the provisions of the fixed fee gathering agreement, when we determine it is in the best interests of the Partnership to do so.

Operating expense – related party were derived from CNX Resources and consisted of the following:

| <i>(in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-----------------|--|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Operational services | \$ 2,084 | \$ 3,850 | \$ 6,320 | \$ 11,334 |
| Electrical compression | 1,646 | 2,255 | 5,605 | 6,833 |
| Total Operating Expense — Related Party | \$ 3,730 | \$ 6,105 | \$ 11,925 | \$ 18,167 |

Related party liabilities due to CNX Resources consisted of the following:

| <i>(in thousands)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Expense reimbursements | \$ 742 | \$ 489 |
| Capital expenditures reimbursements | 59 | — |
| General and administrative services | 1,673 | 4,298 |
| IDR Transaction - current portion | 50,000 | — |
| Total Due to Related Party - Current Portion | 52,474 | 4,787 |
| IDR Transaction - long-term portion | 85,000 | — |
| Total Due to Related Party - Current and Long-Term | \$ 137,474 | \$ 4,787 |

All related party receivables were due from CNX Resources at September 30, 2020 and December 31, 2019.

Merger Agreement

See Note 1 – Description of Business for additional information.

Operational Services Agreement

Upon the closing of the initial public offering of our common units (our “IPO”), we entered into an operational services agreement with CNX Resources, which was amended and restated on December 1, 2016. Under the agreement, CNX Resources provides certain operational services to us in support of our gathering pipelines and dehydration, treating and compressor stations and facilities, including routine and emergency maintenance and repair services, routine operational activities, routine administrative services, construction and related services and such other services as we and CNX Resources may mutually agree upon from time to time. CNX Resources prepares and submits for our approval a maintenance, operating and capital budget on an annual basis. CNX Resources submits actual expenditures for reimbursement on a monthly basis, and we reimburse CNX Resources for any direct third-party costs incurred by CNX Resources in providing these services.

Omnibus Agreement

We are party to an omnibus agreement with CNX Resources, CNX Gathering and our general partner that addresses the following matters:

- our payment of an annually-determined administrative support fee (approximately \$7.3 million for the year ending December 31, 2020 and \$7.9 million for the year ended December 31, 2019) for the provision of certain services by CNX Resources and its affiliates, including executive costs. Such costs may not necessarily reflect the actual expenses that the Partnership would incur on a stand-alone basis, and we are unable to estimate what those expenses would be on a stand-alone basis;
- our obligation to reimburse CNX Resources for all other direct or allocated costs and expenses incurred by CNX Resources in providing general and administrative services (which reimbursement is in addition to certain expenses of our general partner and its affiliates that are reimbursed under our partnership agreement);
- our right of first offer to acquire (i) CNX Gathering’s retained interests in our Additional Systems, (ii) CNX Gathering’s other ancillary midstream assets and (iii) any additional midstream assets that CNX Gathering develops; and

- our obligation to indemnify CNX Gathering for events and conditions associated with the use, ownership or operation of our assets that occur after the closing of the IPO, including environmental liabilities.

The omnibus agreement will remain in full force and effect throughout the period in which CNX Gathering controls our general partner. If CNX Gathering ceases to control our general partner, either party may terminate the omnibus agreement, provided that the indemnification obligations will remain in full force and effect in accordance with their terms.

Gathering Agreements

On January 3, 2018, we entered into the Second Amended and Restated gas gathering agreement (“GGA”) with CNX Gas, which is a 20-year, fixed-fee gathering agreement. Under the Second Amended and Restated GGA, we continue to gather, compress, dehydrate and deliver all of CNX Gas’ dedicated natural gas in the Marcellus Shale on a first-priority basis and gather, inject, stabilize and store all of CNX Gas’ dedicated condensate on a first-priority basis. Under this agreement, during the year ending December 31, 2020, we will receive a fee based on the type and scope of the midstream services we provide, summarized as follows:

- For the services we provide with respect to natural gas from the Marcellus Shale formation that does not require downstream processing, or dry gas, we will receive a fee of \$0.4531 per MMBtu.
- For the services we provide with respect to natural gas from the Marcellus Shale formation that requires downstream processing, or wet gas, we will receive:
 - a fee of \$0.3116 per MMBtu in the Pittsburgh International Airport area; and
 - a fee of \$0.6222 per MMBtu for all other areas in the dedication area.
- Our fees for condensate services will be \$5.6580 per Bbl in the Majorsville area and in the Shirley-Penns area.

Each of the foregoing fees escalates by 2.5% on January 1 each year through the end of the initial term. Commencing on January 1, 2035, and as of January 1 thereafter, each of the applicable fees will be adjusted pursuant to the percentage change in CPI-U, but such fees will never escalate or decrease by more than 3% per year.

The Second Amended and Restated GGA also dedicated an additional 63,000 acres in the Utica Shale in and around the McQuay and Wadestown areas and introduced the following gas gathering and compression rates (rates shown effective January 1, 2020):

- Gas Gathering:
 - McQuay area Utica - a fee of \$0.2368 per MMBtu; and
 - Wadestown Marcellus and Utica - a fee of \$0.3678 per MMBtu.
- Compression:
 - For areas not benefiting from system expansion pursuant to the Second Amended and Restated GGA, compression services are included in the base fees; and
 - In the McQuay and Wadestown areas, for wells turned in line beginning January 1, 2018 and beyond, we will receive additional fees of \$0.0683 per MMBtu for Tier 1 pressure services (maximum receipt point of pressure of 600 psi) and \$0.1366 per MMBtu for Tier 2 pressure services (maximum receipt point of pressure of 300 psi).

In addition, the Second Amended and Restated GGA committed CNX Gas to drill and complete 140 total wells in the McQuay area within the Anchor Systems, provided that if 125 wells have been drilled and completed in the Marcellus Shale, then the remainder of such planned wells must be drilled in the Utica Shale. To the extent the requisite number of wells are not drilled and completed by CNX Gas in a given period, we will be entitled to a deficiency payment per shortfall well as set forth below:

- January 1, 2018 to December 31, 2018 - 30 wells (CNX Gas exceeded this requirement by eight wells)
- January 1, 2019 to April 30, 2020 - 40 wells (CNX Gas exceeded this requirement by two wells)
- May 1, 2020 to April 30, 2021 - 40 wells (deficiency payment of \$2.0 million per well)
- May 1, 2021 to April 30, 2022 - 30 wells (deficiency payment of \$2.0 million per well)

In the event that CNX Gas drills wells and completes a number of wells in excess of the number of wells required to be drilled and completed in such period, (i) the number of excess wells drilled and completed during such period will be applied to the minimum well requirement in the succeeding period or (ii) to the extent CNX Gas was required to make deficiency payments for shortfalls in the preceding period, CNX Gas may elect to cause the Partnership to pay a refund in an amount equal to (x) the number of excess wells drilled and completed during the period, multiplied by (y) the deficiency payment paid per well during the period in which the shortfall occurred.

On March 16, 2018, we entered into the First Amendment to the Second Amended and Restated GGA, which added the MVC on volumes associated with the Shirley-Penns System through December 31, 2031. The MVC commits CNX Gas to pay the Partnership the wet gas fee under the GGA for all natural gas we gather up to a specified amount per day through December 31, 2031. During the MVC period, if CNX Gas actually delivers volumes in a given quarter in excess of the volume commitment for such quarter, CNX Gas is entitled to credit such excess volumes against amounts otherwise payable under the MVC in the future.

We will recognize minimum revenue on volumes throughout the term of the GGA, as set forth below:

| <i>(in millions)</i> | Minimum Revenue per MVC |
|---|--------------------------------|
| Remainder of year ending December 31, 2020* | \$ — |
| Year ending December 31, 2021 | 33.9 |
| Year ending December 31, 2022 | 47.7 |
| Year ending December 31, 2023 | 42.8 |
| Year ending December 31, 2024 | 39.6 |
| Remainder of term | 174.0 |
| Total minimum revenue to be recognized pursuant to Shirley-Penns MVC | \$ 338.0 |

*For 2020, the minimum revenue per the MVC has been met.

For all natural gas the Partnership gathers in excess of the MVC, the Partnership will receive a fee of \$0.3678 per MMBtu in 2020, which escalates by 2.5% on January 1 of each year. Since the Shirley-Penns acquisition in 2018, CNX Gas has exceeded the required MVC calculation each quarter. For the quarter ended September 30, 2020, the MVC calculation was met by a combination of actual volumes and a prior period credit for excess volumes of 2.9 BBtu. This leaves a remaining credit for excess volumes of 27.1 BBtu.

On May 2, 2018, we completed a transaction with our Sponsor, pursuant to which we entered into the Second Amendment to the Second Amended and Restated GGA, which committed CNX Gas to drill and complete an additional 40 wells in the Majorsville/Mamont area within the Anchor Systems by the end of 2023. To the extent the requisite number of wells are not drilled and completed by CNX Gas in a given period, we will be entitled to a deficiency payment per shortfall well as set forth below:

- July 1, 2018 to December 31, 2020 - 15 wells (As of September 30, 2020, CNX Gas has exceeded the minimum well commitment by eleven wells)
- January 1, 2021 to December 31, 2023 - 25 wells (deficiency payment of \$2.8 million per well)

CNX Gas provides us with quarterly updates on its drilling and development operations, which include detailed descriptions of the drilling plans, production details and well locations for periods that range from up to 24-48 months, as well as more general development plans that may extend as far as ten years. In addition, we regularly meet with CNX Gas to discuss our current plans to timely construct the necessary facilities to be able to provide midstream services to them on our dedicated acreage. In the event that we do not perform our obligations under our GGA, CNX Gas will be entitled to certain rights and procedural remedies thereunder, including the temporary and/or permanent release from dedication and indemnification from us.

There are no restrictions under our GGAs with CNX Gas on the ability of CNX Gas to transfer acreage in the right of first offer ("ROFO") area, and any such transfer of acreage in the ROFO area will not be subject to our right of first offer.

Upon completion of its 20-year term in 2037, our GGA with CNX Gas will continue in effect from year to year until such time as the agreement is terminated by either us or CNX Gas on or before 180 days prior written notice.

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| <i>(in thousands)</i> | September 30, 2020 | December 31, 2019 | Estimated Useful Lives in Years |
|---------------------------------------|---------------------------|--------------------------|--|
| Land | \$ 79,468 | \$ 79,829 | N/A |
| Gathering equipment | 774,831 | 717,277 | 25 — 40 |
| Compression equipment | 411,241 | 332,358 | 30 — 40 |
| Processing equipment | 30,979 | 30,979 | 40 |
| Assets under construction | 43,496 | 142,123 | N/A |
| Total Property and Equipment | \$ 1,340,015 | \$ 1,302,566 | |
| Less: Accumulated depreciation | | | |
| Gathering equipment | \$ 90,973 | \$ 75,879 | |
| Compression equipment | 32,914 | 24,311 | |
| Processing equipment | 7,405 | 6,785 | |
| Total Accumulated Depreciation | \$ 131,292 | \$ 106,975 | |
| Property and Equipment — Net | \$ 1,208,723 | \$ 1,195,591 | |

The Partnership capitalized approximately \$0.2 million and \$1.1 million of interest on assets under construction during the three and nine months ended September 30, 2020, respectively. The Partnership capitalized approximately \$1.6 million and \$3.7 million of interest on assets under construction during the three and nine months ended September 30, 2019, respectively.

During the nine months ended September 30, 2020, the Partnership abandoned the construction of a pipeline project that was designed to support additional production within certain areas of the Anchor System as well as land rights-of-way in both the Anchor and Additional Systems, resulting in a loss of \$1.7 million.

During the nine months ended September 30, 2019, the Partnership abandoned the construction of a compressor station that was designed to support additional production within certain areas of the Anchor System, resulting in a loss of \$7.2 million.

NOTE 6 — LONG-TERM DEBT

Revolving Credit Facility

In March 2018, we entered into a five-year \$600.0 million secured revolving credit facility with an accordion feature that allows, subject to certain terms and conditions, the Partnership to increase the available borrowings under the revolving credit facility by up to an additional \$250.0 million. The revolving credit facility includes the ability to issue letters of credit up to \$100.0 million in the aggregate. The available borrowing capacity is limited by certain financial covenants pertaining to leverage and interest coverage ratios as defined in the revolving credit facility agreement.

On April 24, 2019, the Partnership amended its revolving credit facility and extended its maturity to April 2024. Among other things, we received an annual interest rate reduction of 0.25% on borrowings compared to the original agreement. Under the terms of the amended agreement, borrowings under the revolving credit facility will bear interest at our option at either:

- the base rate, which is the highest of (i) the federal funds open rate plus 0.50%, (ii) PNC Bank, N.A.'s prime rate, or (iii) the one-month LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.50% to 1.50%; or
- the LIBOR rate plus a margin ranging from 1.50% to 2.50%.

Following the amendment, the revolving credit facility now includes (i) the addition of a restricted payment basket permitting cash repurchases of IDRs subject to a pro forma secured leverage ratio of 3.00 to 1.00, a pro forma total leverage ratio of 4.00 to 1.00 and pro forma availability of 20% of commitments and (ii) a restricted payment basket for the repurchase of limited partner units not to exceed Available Cash (as defined in the partnership agreement) in any quarter of up to \$150.0 million per year and up to \$200.0 million during the life of the facility.

Interest on base rate loans is payable on the first business day of each calendar quarter. Interest on LIBOR loans is payable on the last day of each interest period or, in the case of interest periods longer than three months, every three months. The unused portion of our revolving credit facility is subject to a commitment fee ranging from 0.375% to 0.500% per annum depending on our most recent consolidated leverage ratio.

The revolving credit facility contains a number of affirmative and negative covenants that include, among others, covenants that restrict the ability of the Partnership, its subsidiary guarantors and certain of its non-guarantor, non-wholly-owned subsidiaries, except in certain circumstances, to: (i) create, incur, assume or suffer to exist indebtedness; (ii) create or permit to exist liens on their properties; (iii) prepay certain indebtedness unless there is no default or event of default under the revolving credit facility; (iv) make or pay any dividends or distributions in excess of certain amounts; (v) merge with or into another person, liquidate or dissolve; or acquire all or substantially all of the assets of any going concern or going line of business or acquire all or a substantial portion of another person's assets; (vi) make particular investments and loans; (vii) sell, transfer, convey, assign or dispose of its assets or properties other than in the ordinary course of business and other select instances; (viii) deal with any affiliate except in the ordinary course of business on terms no less favorable to the Partnership than it would otherwise receive in an arm's length transaction; and (ix) amend in any material manner its certificate of incorporation, bylaws, or other organizational documents without giving prior notice to the lenders and, in some cases, obtaining the consent of the lenders. The agreement also contains customary events of default, including, but not limited to, a cross-default to certain other debt, breaches of representations and warranties, change of control events and breaches of covenants. The obligations under the revolving credit facility agreement are secured by substantially all of the assets of the Partnership and its wholly owned subsidiaries.

In addition, the Partnership is obligated to maintain at the end of each fiscal quarter:

- for as long as at least \$150.0 million of the Senior Notes are outstanding (see below), a maximum total leverage ratio of no greater than 5.25 to 1.00 (which increases to no greater than 5.50 to 1.00 during qualifying acquisition periods);
- if less than \$150.0 million of the Senior Notes are outstanding (see below), a maximum total leverage ratio of no greater than 4.75 to 1.00 (which increases to no greater than 5.25 to 1.00 during qualifying acquisition periods);
- a maximum secured leverage ratio of no greater than 3.50 to 1.00; and
- a minimum interest coverage ratio of no less than 2.50 to 1.00.

The Partnership was in compliance with all financial covenants at September 30, 2020.

On September 30, 2020, the Partnership had an outstanding balance on the revolving credit facility of \$343.0 million at an interest rate of 1.65% and \$0.03 million of letters of credit outstanding, leaving \$257.0 million available for borrowing.

At December 31, 2019, the outstanding balance on the revolving credit facility was \$311.8 million at an interest rate of 3.26%.

Senior Notes

In March 2018, the Partnership, together with its wholly owned subsidiary CNX Midstream Finance Corp ("Finance Corp") and (collectively with the Partnership, the "Issuers"), completed a private offering of the Senior Notes, with related guarantees (the "Guarantees") and received net proceeds of approximately \$394.0 million, after deducting the initial purchasers' discount. In connection with the issuance of the Senior Notes, the Partnership capitalized related offering expenses, which are recorded in our consolidated balance sheet as a reduction to the principal amount. Net proceeds from the Senior Notes offering were primarily used to fund the Shirley-Penns acquisition that occurred in 2018 and repay existing indebtedness under our prior \$250.0 million unsecured revolving credit facility. The Senior Notes mature on March 15, 2026 and accrue interest at a rate of 6.5% per year, which is payable semi-annually in arrears on March 15 and September 15. There are no principal payment requirements on the Senior Notes prior to maturity.

The Senior Notes and Guarantees were issued pursuant to an indenture (the "Indenture"), dated March 16, 2018, among the Partnership, Finance Corp, the guarantors party thereto (the "Guarantors") and UMB Bank, N.A., as trustee (the "Trustee"). The Senior Notes rank equally in right of payment with all of the Issuers' existing and future senior indebtedness and senior to any subordinated indebtedness that the Issuers' may incur. The Guarantees rank equally in right of payment to all of the Guarantors' existing and future senior indebtedness.

The Issuers may redeem all or part of the Senior Notes at redemption prices ranging from 104.875% beginning March 15, 2021 to 100.0% beginning March 15, 2024. Prior to March 15, 2021, the Issuers may on one or more occasions redeem up to 35.0% of the principal amount of the Senior Notes with an amount of cash not greater than the amount of the net cash proceeds from one or more equity offerings at a redemption price of 106.50%. At any time or from time to time prior to March 15, 2021, the Issuers may also redeem all or a part of the Senior Notes, at a redemption price equal to 100.0% of the principal amount thereof plus the Applicable Premium, as defined in the Indenture, plus accrued and unpaid interest.

If the Partnership experiences certain kinds of changes of control, holders of the Senior Notes will be entitled to require the Partnership to repurchase all or any part of that holder's Senior Notes pursuant to an offer on the terms set forth in the Indenture. The Partnership will offer to make a cash payment equal to 101.0% of the aggregate principal amount of the Senior Notes repurchased plus accrued and unpaid interest on the Senior Notes repurchased to, but not including, the date of purchase, subject to the rights of holders of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date.

The Partnership's long-term debt consisted of the following:

| <i>(in thousands)</i> | September 30, 2020 | December 31, 2019 |
|---------------------------------------|---------------------------|--------------------------|
| Senior Notes due March 2026 at 6.5% | \$ 400,000 | \$ 400,000 |
| Less: Unamortized debt issuance costs | 1,066 | 1,213 |
| Less: Unamortized bond discount | 4,062 | 4,625 |
| Total Senior Notes | \$ 394,872 | \$ 394,162 |

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Litigation

The Partnership may become involved in certain legal proceedings from time to time, and where appropriate, we have accrued our estimate of the probable costs for the resolution of these claims. The Partnership believes that the ultimate outcome of any matter currently pending against the Partnership will not materially affect the Partnership's business, financial condition, results of operations, liquidity or ability to make distributions.

NOTE 8 — LONG-TERM INCENTIVE PLAN

On July 26, 2020, CNX entered into an Agreement and Plan of Merger (the "Merger Agreement") with CNXM, CNX Midstream GP LLC (the "General Partner") and CNX Resources Holding LLC., a wholly owned subsidiary of CNX ("Merger Sub"), pursuant to which Merger Sub merged with and into CNXM with CNXM surviving as an indirect wholly owned subsidiary of CNX (the "Merger"). On September 28, 2020, the Merger was completed and CNX issued 37,054,223 shares of common stock to acquire the 42,107,071 common units of CNXM not owned by CNX prior to the Merger at a fixed exchange ratio of 0.88 shares of CNX common stock for each CNXM common unit, for total implied consideration of \$384,623. As a result of the Merger, CNXM's common units are no longer publicly traded.

Except for the Class B units of CNXM, which automatically canceled immediately prior to the effective time of the Merger for no consideration in accordance with CNXM's partnership agreement, the interests in CNXM owned by CNX and its subsidiaries remain outstanding as limited partner interests in the surviving entity. The General Partner will continue to own the non-economic general partner interest in the surviving entity. See Note 1 – Description of Business for additional information.

Pursuant to the Merger, all outstanding phantom units previously granted under the CNXM long-term incentive plan were converted into the right to receive 0.88 common shares of common stock of CNX. As such, all outstanding phantom units were converted, effective as of the closing of the Merger, into CNX restricted stock units. Each CNX restricted stock unit will be subject to the same vesting, forfeiture and other terms and conditions applicable to the converted CNXM phantom units.

Under the Partnership's 2014 Long-Term Incentive Plan (our "LTIP") prior to the Merger, our general partner issued long-term equity-based awards to directors, officers and employees of the general partner or its affiliates, or to any consultants, affiliates of our general partner or other individuals who perform services on behalf of the Partnership. The Partnership was responsible for the cost of awards granted under the LTIP, which limited the number of units that may be delivered pursuant to vested awards to 5.8 million common units, subject to proportionate adjustment in the event of unit splits and similar events. Common units subject to awards that are canceled, forfeited, withheld to satisfy tax withholding obligations or otherwise terminated without delivery of the common units were available for delivery pursuant to other awards.

The following table presents phantom unit activity during the nine months ended September 30, 2020:

| | Number of Units | Weighted Average Grant Date Fair Value |
|--|----------------------------|---|
| Total awarded and unvested at December 31, 2019 | 174,465 | \$ 16.83 |
| Granted | 158,171 | 14.76 |
| Vested | (83,188) | 17.32 |
| Forfeited | (17,122) | 15.93 |
| Total awarded and unvested at September 30, 2020 | <u>232,326</u> | <u>\$ 15.31</u> |

The Partnership accounted for phantom units as equity awards and recorded compensation expense on a straight-line basis over the vesting period based on the fair value of the awards on their grant dates. Awards granted to independent directors vested over a period of one year, and awards granted to certain officers and employees of the general partner vested 33% per year over a period of three years.

The Partnership recognized \$0.6 million and \$0.3 million of compensation expense related to phantom units for the three months ended September 30, 2020 and 2019, respectively, and \$1.5 million for the nine months ended September 30, 2020 and 2019, which was included in general and administrative expense-related party in the consolidated statements of operations.

NOTE 9 — SUBSEQUENT EVENTS

As of October 29, 2020, the date the consolidated financial statements were issued, we completed our evaluation of material subsequent events for disclosure, and no items were identified.

ITEM 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

We meet the conditions specified in General Instruction H(1)(a) and (b) of Form 10-Q and are thereby permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies specified therein. Accordingly, in lieu of the information called for by Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have included “Management’s Narrative Analysis of Results of Operations” to explain the reasons for material changes in the amount of revenue and expense items in the year-to-date periods reported herein.

The following analysis of our results of operations should be read in conjunction with our unaudited financial statements and the notes thereto included in the Financial Statements of this Quarterly Report and in conjunction with our 2019 Form 10-K.

Executive Overview

We are focused on the ownership, operation, development and acquisition of midstream energy infrastructure in the Appalachian Basin. We currently provide midstream services to our customers’ production in the Marcellus Shale and Utica Shale in Pennsylvania and West Virginia under long-term, fixed-fee contracts. Our assets include natural gas gathering pipelines and compression and dehydration facilities, as well as condensate gathering, collection, separation and stabilization facilities.

COVID-19 Pandemic

Although CNXM did not incur significant disruptions to our operations during the nine months ended September 30, 2020 as a result of the COVID-19 pandemic, we are unable to predict the impact that the COVID-19 pandemic will have on our future, including our financial position, operating results, liquidity and ability to obtain financing in future reporting periods, due to numerous uncertainties. These uncertainties include the severity of the virus outbreak domestically, the availability of a vaccine, the duration of the outbreak, governmental or other actions taken to combat the virus (which could include limitations on our operations or the operations of our customers and vendors), and the effect that the COVID-19 pandemic may have on the demand for natural gas and natural gas liquids. Further, the impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets as well as other unanticipated consequences remain unknown. In addition, CNXM cannot predict the impact that COVID-19 will have on our customers, vendors and contractors; however, any material negative impact on these parties could adversely impact CNXM.

Recent Business Developments:

On July 26, 2020, CNX entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CNXM, CNX Midstream GP LLC (the “General Partner”) and CNX Resources Holding LLC., a wholly owned subsidiary of CNX (“Merger Sub”), pursuant to which Merger Sub merged with and into CNXM with CNXM surviving as an indirect wholly owned subsidiary of CNX (the “Merger”). On September 28, 2020, the Merger was completed and CNX issued 37,054,223 shares of common stock to acquire the 42,107,071 common units of CNXM not owned by CNX prior to the Merger at a fixed exchange ratio of 0.88 shares of CNX common stock for each CNXM common unit, for total implied consideration of \$384,623. As a result of the Merger, CNXM’s common units are no longer publicly traded.

Except for the Class B units of CNXM, which automatically canceled immediately prior to the effective time of the Merger for no consideration in accordance with CNXM’s partnership agreement, the interests in CNXM owned by CNX and its subsidiaries remain outstanding as limited partner interests in the surviving entity. The General Partner will continue to own the non-economic general partner interest in the surviving entity.

Third Quarter and Year to Date Financial Highlights

Comparative results net to the Partnership, with the exception of operating cash flows, which is presented on a gross consolidated basis, were as follows:

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------|------------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Net income | \$ 35.3 | \$ 44.0 | \$ 113.0 | \$ 125.8 |
| Net cash provided by operating activities | \$ 38.4 | \$ 51.0 | \$ 124.0 | \$ 175.7 |

For a discussion of why the above non-GAAP metrics are viewed as important by management, and how the non-GAAP financial measures reconcile to their nearest comparable financial measures prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), see “Non-GAAP Financial Measures” below for additional information.

Factors Affecting the Comparability of Our Financial Results

The Partnership continues to monitor the current and potential impacts of the coronavirus COVID-19 ("COVID-19") pandemic on all aspects of our business and geographies, including how it has impacted, and may in the future, impact our operations, financial results, liquidity, contractors, customers, and vendors. The Partnership also continues to monitor a number of factors that may cause actual results of operations and financial results to differ from our historical results or current expectations. These factors include: the impact of the COVID-19 pandemic and the related global economic downturn, the historically low natural gas prices and the historically low natural gas liquids prices that began with the crude oil price war between the Organization of Petroleum Exporting Countries ("OPEC")/Saudi Arabia and Russia in the first quarter of 2020. These and other factors could affect the Partnership's operations, earnings and cash flows for any period and could cause such results to not be comparable to those of the same period in previous years. The results presented are not necessarily indicative of future operating results.

Results of Operations

Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

| | Three Months Ended September 30, | | | |
|---|----------------------------------|------------------|-------------------|----------------|
| | 2020 | 2019 | Change (\$) | Change (%) |
| <i>(in thousands)</i> | | | | |
| Revenue | | | | |
| Gathering revenue — related party | \$ 53,113 | \$ 55,453 | \$ (2,340) | (4.2)% |
| Gathering revenue — third party | 16,199 | 18,523 | (2,324) | (12.5)% |
| Total Revenue | 69,312 | 73,976 | (4,664) | (6.3)% |
| Expenses | | | | |
| Operating expense — related party | 3,730 | 6,105 | (2,375) | (38.9)% |
| Operating expense — third party | 7,017 | 5,612 | 1,405 | 25.0 % |
| General and administrative expense — related party | 2,968 | 3,573 | (605) | (16.9)% |
| General and administrative expense — third party | 4,442 | 1,236 | 3,206 | 259.4 % |
| Depreciation expense | 8,466 | 6,184 | 2,282 | 36.9 % |
| Interest expense | 8,308 | 7,601 | 707 | 9.3 % |
| Total Expense | 34,931 | 30,311 | 4,620 | 15.2 % |
| Net Income | \$ 34,381 | \$ 43,665 | \$ (9,284) | (21.3)% |
| Less: Net loss attributable to noncontrolling interest | (875) | (298) | (577) | 193.6 % |
| Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP | <u>\$ 35,256</u> | <u>\$ 43,963</u> | <u>\$ (8,707)</u> | <u>(19.8)%</u> |

Operating Statistics - Gathered Volumes for the Three Months Ended September 30, 2020

| | Anchor | Additional | TOTAL |
|-------------------------------|--------------|------------|--------------|
| Dry Gas (BBtu/d) ¹ | 906 | 41 | 947 |
| Wet Gas (BBtu/d) ¹ | 441 | 38 | 479 |
| Other (BBtu/d) ² | 294 | — | 294 |
| Total Gathered Volumes | <u>1,641</u> | <u>79</u> | <u>1,720</u> |

Operating Statistics - Gathered Volumes for the Three Months Ended September 30, 2019

| | Anchor | Additional | TOTAL |
|-------------------------------|--------------|------------|--------------|
| Dry Gas (BBtu/d) ¹ | 848 | 3 | 851 |
| Wet Gas (BBtu/d) ¹ | 630 | 55 | 685 |
| Other (BBtu/d) ² | 273 | — | 273 |
| Total Gathered Volumes | <u>1,751</u> | <u>58</u> | <u>1,809</u> |

¹ (One billion British Thermal Units per day - BBTu/d) Classification as dry or wet is primarily based upon system area. In certain situations, we may elect to allow customers to access alternate delivery points within our system, which would be a negotiated change addressed on a case-by-case basis.

² Includes third-party volumes we gather under high-pressure short-haul agreements (292 BBTu/d and 269 BBTu/d for the three months ended September 30, 2020 and 2019, respectively) as well as condensate handling.

Revenue

Our revenue typically increases or decreases as our customers' production on our dedicated acreage increases or decreases. Since we charge a higher fee for natural gas that is shipped through our wet system than through our dry system, our revenue can also be impacted by the relative mix of gathered volumes by area, which may vary dependent upon our customers' elections as to where to deliver their produced volumes, which may change dynamically depending on the most current commodity prices at the time of shipment.

Total revenue decreased 6.3% to approximately \$69.3 million for the three months ended September 30, 2020 compared to approximately \$74.0 million for the three months ended September 30, 2019 primarily due to a 30.1% decrease in gathered volumes of wet gas, offset in part by an increase of 11.3% in gathered volumes of dry gas. The net decrease in gathered volumes was the result of temporary production curtailments by our Sponsor and one of our third-party customers due to a decline in both natural gas and natural gas liquids pricing. Although a majority of the wet wells have since come back online due to a rebound in pricing, the concerns over storage capacity and other items discussed in the Executive Overview above could impact future periods. The impact of the lower wet gas volumes was partially offset by well turn-in-line activity that occurred over the past twelve months.

In addition, there was a 21 BBTu/d increase in other volumes gathered period over period, due primarily to activity under short-haul gathering contracts. Volumes gathered under short-haul gathering contracts do not have as significant an impact on revenues as volumes gathered at our standard dry or wet gas rates.

Operating Expense

Operating expense primarily includes electrically-powered compression, direct labor, repairs and maintenance and compression expenses. Total operating expenses were approximately \$10.7 million in the three months ended September 30, 2020 compared to approximately \$11.7 million in the three months ended September 30, 2019. Included in total operating expense was electrically-powered compression expense of \$2.9 million for the three months ended September 30, 2020 compared to \$3.8 million for the three months ended September 30, 2019, which was reimbursed by our customers pursuant to our gas gathering agreements and included in revenue. Operating expenses decreased 0.8% after adjusting for the electrically-powered compression expense reimbursement in the current quarter compared to the prior year quarter primarily due to a 4.9% decrease in volumes.

General and Administrative Expense

General and administrative expense primarily includes direct charges for the management and operation of our assets. Total general and administrative expense was approximately \$7.4 million for the three months ended September 30, 2020 compared to approximately \$4.8 million for the three months ended September 30, 2019. The increase was primarily due to costs associated with the Merger (see Note 1—Description of Business, in the Notes to the Unaudited Consolidated Financial Statements).

Depreciation Expense

Depreciation expense is recognized on gathering and other equipment on a straight-line basis, with useful lives ranging from 25 years to 40 years. Total depreciation expense was approximately \$8.5 million in the three months ended September 30, 2020 compared to approximately \$6.2 million in the three months ended September 30, 2019. The increase was the result of additional assets placed into service over time.

Interest Expense

Interest expense is comprised of interest on our 6.5% Senior Notes due 2026 (the "Senior Notes") as well as on the outstanding balance of our revolving credit facility. Interest expense was approximately \$8.3 million for the three months ended September 30, 2020 compared to approximately \$7.6 million for the three months ended September 30, 2019. The increase in interest expense was primarily due to an increase in borrowings on our revolving credit facility as well as a reduction in the amount of interest that was capitalized in 2020. The reduction in capitalized interest was related to our long-term capital program being substantially completed in 2019. These increases were partially offset by lower interest rates on our revolving credit facility.

Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

| | Nine Months Ended September 30, | | | |
|---|---------------------------------|-------------------|--------------------|----------------|
| | 2020 | 2019 | Change (\$) | Change (%) |
| <i>(in thousands)</i> | | | | |
| Revenue | | | | |
| Gathering revenue — related party | \$ 169,494 | \$ 168,434 | \$ 1,060 | 0.6 % |
| Gathering revenue — third party | 45,901 | 55,862 | (9,961) | (17.8)% |
| Miscellaneous income | 151 | — | 151 | 100.0 % |
| Total Revenue | 215,546 | 224,296 | (8,750) | (3.9)% |
| Expenses | | | | |
| Operating expense — related party | 11,925 | 18,167 | (6,242) | (34.4)% |
| Operating expense — third party | 21,662 | 17,774 | 3,888 | 21.9 % |
| General and administrative expense — related party | 8,573 | 11,567 | (2,994) | (25.9)% |
| General and administrative expense — third party | 8,792 | 4,136 | 4,656 | 112.6 % |
| Loss on asset sales and abandonments | 1,652 | 7,229 | (5,577) | (77.1)% |
| Depreciation expense | 24,253 | 17,694 | 6,559 | 37.1 % |
| Interest expense | 25,718 | 22,625 | 3,093 | 13.7 % |
| Total Expense | 102,575 | 99,192 | 3,383 | 3.4 % |
| Net Income | \$ 112,971 | \$ 125,104 | \$ (12,133) | (9.7)% |
| Less: Net loss attributable to noncontrolling interest | (54) | (711) | 657 | (92.4)% |
| Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP | \$ 113,025 | \$ 125,815 | \$ (12,790) | (10.2)% |

Operating Statistics - Gathered Volumes for the Nine Months Ended September 30, 2020

| | Anchor | Additional | TOTAL |
|-------------------------------|--------------|------------|--------------|
| Dry Gas (BBtu/d) ¹ | 979 | 51 | 1,030 |
| Wet Gas (BBtu/d) ¹ | 438 | 45 | 483 |
| Other (BBtu/d) ² | 289 | — | 289 |
| Total Gathered Volumes | 1,706 | 96 | 1,802 |

Operating Statistics - Gathered Volumes for the Nine Months Ended September 30, 2019

| | Anchor | Additional | TOTAL |
|-------------------------------|--------------|------------|--------------|
| Dry Gas (BBtu/d) ¹ | 851 | 3 | 854 |
| Wet Gas (BBtu/d) ¹ | 643 | 62 | 705 |
| Other (BBtu/d) ² | 196 | — | 196 |
| Total Gathered Volumes | 1,690 | 65 | 1,755 |

¹ (One billion British Thermal Units per day - BBtu/d) Classification as dry or wet is primarily based upon system area. In certain situations, we may elect to allow customers to access alternate delivery points within our system, which would be a negotiated change addressed on a case-by-case basis.

² Includes third-party volumes we gather under high-pressure short-haul agreements (286 BBtu/d and 190 BBtu/d for the nine months ended September 30, 2020 and 2019, respectively) as well as condensate handling.

Revenue

Our revenue typically increases or decreases as our customers' production on our dedicated acreage increases or decreases. Since we charge a higher fee for natural gas that is shipped through our wet system than through our dry system, our revenue can also be impacted by the relative mix of gathered volumes by area, which may vary dependent upon our customers'

elections as to where to deliver their produced volumes, which may change dynamically depending on the most current commodity prices at the time of shipment.

Total revenue decreased approximately 3.9% to \$215.5 million for the nine months ended September 30, 2020 compared to \$224.3 million for the nine months ended September 30, 2019, which was primarily due to a 31.5% decrease in gathered volumes of wet gas, offset in part by an increase of 20.6% in gathered volumes of dry gas. The net increase in gathered volumes was the result of well turn-in-line activity that occurred over the past twelve months offset by temporary production curtailments during the nine months ended September 30, 2020 by our Sponsor and one of our third-party customers due to a decline in both natural gas and natural gas liquids pricing. Although a majority of the wet wells have since come back online due to a rebound in pricing, the concerns over storage capacity and other items discussed in the Executive Overview above could impact future periods.

In addition, there was a 93 BBtu/d increase in other volumes gathered period over period, due primarily to activity under short-haul gathering contracts. Volumes gathered under short-haul gathering contracts do not have as significant an impact on revenues as volumes gathered at our standard dry or wet gas rates.

Operating Expense

Total operating expenses were approximately \$33.6 million for the nine months ended September 30, 2020 compared to approximately \$35.9 million for the nine months ended September 30, 2019. Included in total operating expense was electrically-powered compression expense of \$9.6 million for the nine months ended September 30, 2020 compared to \$11.5 million for the nine months ended September 30, 2019, which was reimbursed by our customers pursuant to our gas gathering agreements and included in revenue. Although total volumes gathered increased 2.7%, operating expenses decreased by approximately 1.8% after adjusting for the electrically-powered compression expense reimbursement in the nine months ended September 30, 2020 when compared to the prior period. This was primarily due to continued adherence to cost control measures implemented by our operations team over the past few years.

General and Administrative Expense

General and administrative expense primarily includes direct charges for the management and operation of our assets. Total general and administrative expense was approximately \$17.4 million for the nine months ended September 30, 2020 compared to approximately \$15.7 million for the nine months ended September 30, 2019. The comparative increase was primarily due to transaction costs associated with the IDR Elimination Transaction that occurred during the first quarter of 2020 as well as costs associated with the Merger (see Note 1—Description of Business, in the Notes to the Unaudited Consolidated Financial Statements), offset in part by lower personnel related costs as part of continuing cost reductions.

Loss on asset sales and abandonments

During the nine months ended September 30, 2020, due to ongoing assessments of projects that generate the highest returns on invested capital, the Partnership abandoned the construction of a pipeline project that was designed to support additional production within certain areas of the Anchor System as well as land rights-of-way in both the Anchor and Additional Systems. After evaluating the amount of project spending that could be repurposed to other ongoing projects, management determined that the loss on abandoning this project and rights-of-way was \$1.7 million.

During the nine months ended September 30, 2019, due in part to changes in customer drilling plan timing and ongoing assessments of projects that generate the highest returns on invested capital, the Partnership abandoned the construction of a compressor station that was designed to support additional production within certain areas of the Anchor System. After evaluating the amount of project spending that could be repurposed to other ongoing projects, management determined that the loss on abandoning the project was \$7.2 million.

Depreciation Expense

Depreciation expense is recognized on gathering and other equipment on a straight-line basis, with useful lives ranging from 25 years to 40 years. Total depreciation expense was approximately \$24.3 million for the nine months ended September 30, 2020 compared to approximately \$17.7 million for the nine months ended September 30, 2019. The increase was the result of additional assets placed into service over time.

Interest Expense

Interest expense is comprised of interest on our 6.5% senior notes due 2026 (the “Senior Notes”) as well as on the outstanding balance of our revolving credit facility. Interest expense was approximately \$25.7 million in the nine months ended September 30, 2020 compared to approximately \$22.6 million for the nine months ended September 30, 2019. The increase in interest expense was primarily due to an increase in borrowings on our revolving credit facility as well as a reduction in the amount of interest that was capitalized in 2020. The reduction in capitalized interest was related to our long-term capital

program being substantially completed in 2019. These increases were partially offset by lower interest rates on our revolving credit facility.

Liquidity and Capital Resources

Liquidity and Financing Arrangements

We have historically satisfied our working capital requirements, funded capital expenditures, acquisitions and debt service obligations, and made cash distributions with cash generated from operations, borrowings under our revolving credit facility and issuance of debt and equity securities. If necessary, we may issue additional debt securities to satisfy the expenditure requirements necessary to fund future growth. We believe that cash generated from these sources will continue to be sufficient to meet these needs in the future. Nevertheless, the ability of the Partnership to satisfy its working capital requirements, to service its debt obligations, to fund planned capital expenditures, or to pay dividends will depend upon future operating performance, which will be affected by prevailing economic conditions in the natural gas industry and other financial and business factors, including the current COVID 19 pandemic, some of which are beyond our control.

We continuously review our liquidity and capital resources. If market conditions were to change, for instance due to the significant decline in natural gas, NGLs and/or crude oil prices or uncertainty created by the COVID-19 pandemic, and our revenue was reduced significantly or operating costs were to increase significantly, our cash flows and liquidity could be reduced.

As of September 30, 2020, we were in compliance with all our debt covenants. After considering the current and potential effect of the significant decline in natural gas, NGLs and/or crude oil prices and uncertainty created by the COVID-19 pandemic on our operations, the Partnership currently expects to remain in compliance with its debt covenants.

Cash Flows

Net cash provided by or used in operating activities, investing activities and financing activities were as follows for the periods presented:

| (in millions) | Nine Months Ended September 30, | | |
|---|---------------------------------|------------|------------|
| | 2020 | 2019 | Change |
| Net Cash Provided by Operating Activities | \$ 124.0 | \$ 175.7 | \$ (51.7) |
| Net Cash Used in Investing Activities | \$ (59.6) | \$ (251.2) | \$ 191.6 |
| Net Cash (Used in) Provided by Financing Activities | \$ (58.6) | \$ 73.2 | \$ (131.8) |

Net Cash Provided by Operating Activities decreased approximately \$51.7 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The change was primarily due to reductions in working capital.

Net Cash Used in Investing Activities decreased \$191.6 million in the current year period compared to the prior year period due primarily to the long-term capital program being completed during 2019 and the go-forward capital intensity of the Partnership being lower.

Net Cash (Used in) Provided by Financing Activities in the current year period decreased compared to the prior year period primarily due to a reduction in net borrowings required to support lower levels of capital spending (investing activities).

Indebtedness

Revolving Credit Facility

We are party to a \$600.0 million secured revolving credit facility, as amended in April 2019 (our “revolving credit facility”), that matures on April 24, 2024 and includes the ability to issue letters of credit up to \$100.0 million in the aggregate. The revolving credit facility has an accordion feature that allows, subject to certain terms and conditions, the Partnership to increase the available borrowings under the revolving credit facility by up to an additional \$250.0 million. The available borrowing capacity under the revolving credit facility is limited by certain financial covenants pertaining to leverage and interest coverage ratios as defined in the revolving credit facility agreement.

Borrowings under the amended revolving credit facility bear interest at our option at either:

- the base rate, which is the highest of (i) the federal funds open rate plus 0.50%, (ii) PNC Bank, N.A.’s prime rate, or (iii) the one-month LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.50% to 1.50%; or
- the LIBOR rate plus a margin ranging from 1.50% to 2.50%.

We incurred interest expense of \$6.0 million on our revolving credit facility (not including amortization of revolver fees) during the nine months ended September 30, 2020. At September 30, 2020, the Partnership had an outstanding balance on the revolving credit facility of \$343.0 million and \$0.03 million of letters of credit outstanding, leaving \$257.0 million available for borrowing.

For additional information on our revolving credit facility, including details relating to the amendment that was completed in April 2019, see Note 6—Long-Term Debt in the Notes to the Unaudited Consolidated Financial Statements.

Senior Notes due 2026

On March 16, 2018, the Partnership completed a private offering of \$400.0 million in 6.5% senior notes due 2026 (the “Senior Notes”), and received net proceeds of approximately \$394.0 million, after deducting the initial purchasers’ discount. In connection with the issuance of the Senior Notes, the Partnership capitalized related offering expenses, which are recorded in our consolidated balance sheet as a reduction to the principal amount. Net proceeds from the Senior Notes offering were primarily used to fund the Shirley-Penns Acquisition and repay existing indebtedness under our revolving credit facility.

The Senior Notes mature on March 15, 2026 and accrue interest at a rate of 6.5% per year, which is payable semi-annually, in arrears, on March 15 and September 15. We incurred interest expense of \$19.5 million (not including amortization of capitalized bond issue costs) on the Senior Notes during the nine months ended September 30, 2020.

For additional information regarding our Senior Notes, see Note 6—Long-Term Debt in the Notes to the Unaudited Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item 3 is omitted pursuant to General Instruction H(2) to Form 10-Q (Omission of Information by Certain Wholly-Owned Subsidiaries).

ITEM 4. CONTROLS AND PROCEDURES

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 7—Commitments and Contingencies in the Notes to the Unaudited Consolidated Financial Statements included in Item 1 incorporated herein by reference.

ITEM 1A. RISK FACTORS

The Partnership is subject to certain risks and hazards due to the nature of the business activities it conducts. For a discussion of these risks, see “Item 1A. Risk Factors” in the Partnership’s 2019 Annual Report on Form 10-K as filed with the SEC on February 10, 2020 (“2019 Form 10-K”) and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020. These risks described could materially and adversely affect the Partnership's business, financial condition, cash flows, and results of operations. The Partnership may experience additional risks and uncertainties not currently known; or, as a result of developments occurring in the future, conditions that are currently deemed to be immaterial may also materially and adversely affect the Partnership's business, financial condition, cash flows, and results of operations.