

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

Form 10-Q

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

For the quarter ended September 30, 2023

or

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

For the transition period from ___ to

Commission File Number 001-39163

Hess Midstream LP

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

1501 McKinney Street

Houston, TX

(Address of principal executive offices)

84-3211812

(I.R.S. Employer Identification Number)

77010

(Zip Code)

(Registrant's telephone number, including area code, is (713) 496-4200)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A shares representing limited partner interests	HESM	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

68,358,493 Class A shares representing limited partner interests ("Class A Shares") in the registrant were outstanding as of October 31, 2023.

HESS MIDSTREAM LP
FORM 10-Q

TABLE OF CONTENTS

<u>Item No.</u>		<u>Page Number</u>
<u>PART I—FINANCIAL INFORMATION</u>		
1.	Financial Statements (unaudited)	
	Consolidated Balance Sheets at September 30, 2023 and December 31, 2022	2
	Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022	3
	Consolidated Statements of Changes in Partners' Capital for the three and nine months ended September 30, 2023 and 2022	4
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022	5
	Notes to Consolidated Financial Statements	6
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
3.	Quantitative and Qualitative Disclosures about Market Risk	32
4.	Controls and Procedures	33
<u>PART II—OTHER INFORMATION</u>		
1.	Legal Proceedings	34
1A.	Risk Factors	34
5.	Other Information	35
6.	Exhibits	36
	Signatures	37
	Certifications	

PART I—FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

[Table of Contents](#)

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Item 1. Financial Statements

	September 30, 2023	December 31, 2022
(in millions, except share amounts)		
Assets		
Cash and cash equivalents	\$ 3.3	\$ 3.1
Accounts receivable—affiliate:		
From contracts with customers	122.0	123.0
Other current assets	12.4	6.2
Total current assets	137.7	132.3
Equity investments	91.4	93.9
Property, plant and equipment, net	3,207.8	3,172.8
Long-term receivable—affiliate	0.4	0.7
Deferred tax asset	329.0	177.2
Other noncurrent assets	9.2	11.3
Total assets	\$ 3,775.5	\$ 3,588.2
Liabilities		
Accounts payable—trade	27.7	\$ 35.0
Accounts payable—affiliate	36.2	27.7
Accrued liabilities	89.2	82.9
Current maturities of long-term debt	10.0	2.5
Other current liabilities	10.7	11.4
Total current liabilities	173.8	159.5
Long-term debt	3,138.3	2,883.1
Deferred tax liability	0.5	0.5
Other noncurrent liabilities	17.6	16.1
Total liabilities	3,330.2	3,059.2
Partners' capital		
Class A shares (68,358,493 shares issued and outstanding as of September 30, 2023; 44,002,846 shares issued and outstanding as of December 31, 2022)	367.4	245.1
Class B shares (161,311,848 shares issued and outstanding as of September 30, 2023; 195,847,606 shares issued and outstanding as of December 31, 2022)	-	-
Total Class A and Class B partners' capital	367.4	245.1
Noncontrolling interest	77.9	283.9
Total partners' capital	445.3	529.0
Total liabilities and partners' capital	\$ 3,775.5	\$ 3,588.2

See accompanying notes to unaudited consolidated financial statements.

PART I—FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(in millions, except per share data)</i>				
Revenues				
Affiliate services	\$ 361.3	\$ 334.2	\$ 986.6	\$ 959.3
Other income	1.8	0.6	5.5	1.3
Total revenues	363.1	334.8	992.1	960.6
Costs and expenses				
Operating and maintenance expenses (exclusive of depreciation shown separately below)	89.4	79.6	225.0	213.9
Depreciation expense	47.7	45.5	142.1	134.9
General and administrative expenses	6.0	5.7	18.2	17.0
Total operating costs and expenses	143.1	130.8	385.3	365.8
Income from operations	220.0	204.0	606.8	594.8
Income from equity investments	2.0	2.8	5.3	4.2
Interest expense, net	45.8	39.9	131.2	108.6
Income before income tax expense	176.2	166.9	480.9	490.4
Income tax expense	11.4	7.5	26.0	19.6
Net income	164.8	159.4	454.9	470.8
Less: Net income attributable to noncontrolling interest	129.5	136.2	373.8	408.7
Net income attributable to Hess Midstream LP	\$ 35.3	\$ 23.2	\$ 81.1	\$ 62.1
Net income attributable to Hess Midstream LP per Class A share:				
Basic	\$ 0.57	\$ 0.53	\$ 1.56	\$ 1.54
Diluted	\$ 0.57	\$ 0.53	\$ 1.54	\$ 1.52
Weighted average Class A shares outstanding				
Basic	62.5	44.0	52.2	40.5
Diluted	62.5	44.1	52.2	40.5

See accompanying notes to unaudited consolidated financial statements.

PART I—FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(UNAUDITED)

	Partners' Capital		Noncontrolling Interest	Total
	Class A Shares	Class B Shares		
(in millions)				
Balance at December 31, 2022	\$ 245.1	\$ -	\$ 283.9	\$ 529.0
Net income	20.7	-	121.5	142.2
Equity-based compensation	0.6	-	-	0.6
Distributions - \$0.5696 per share	(25.1)	-	(111.6)	(136.7)
Recognition of deferred tax asset	4.3	-	-	4.3
Class B unit repurchase	(17.5)	-	(82.5)	(100.0)
Transaction costs	(0.2)	-	(0.7)	(0.9)
Balance at March 31, 2023	<u>\$ 227.9</u>	<u>\$ -</u>	<u>\$ 210.6</u>	<u>\$ 438.5</u>
Net income	25.1	-	122.8	147.9
Equity-based compensation	0.4	-	-	0.4
Distributions - \$0.5851 per share	(25.9)	-	(112.4)	(138.3)
Recognition of deferred tax asset	87.2	-	-	87.2
Sale of shares held by Sponsors	11.0	-	(11.0)	-
Class B unit repurchase	(23.4)	-	(76.6)	(100.0)
Transaction costs	(0.2)	-	(0.7)	(0.9)
Balance at June 30, 2023	<u>\$ 302.1</u>	<u>\$ -</u>	<u>\$ 132.7</u>	<u>\$ 434.8</u>
Net income	35.3	-	129.5	164.8
Equity-based compensation	0.3	-	-	0.3
Distributions - \$0.6011 per share	(34.2)	-	(105.9)	(140.1)
Recognition of deferred tax asset	86.2	-	-	86.2
Sale of shares held by Sponsors	6.8	-	(6.8)	-
Class B unit repurchase	(28.9)	-	(71.1)	(100.0)
Transaction costs	(0.2)	-	(0.5)	(0.7)
Balance at September 30, 2023	<u>\$ 367.4</u>	<u>\$ -</u>	<u>\$ 77.9</u>	<u>\$ 445.3</u>
Balance at December 31, 2021	\$ 204.1	\$ -	\$ 549.0	\$ 753.1
Net income	16.9	-	142.7	159.6
Equity-based compensation	0.5	-	-	0.5
Distributions - \$0.5167 per share	(17.5)	-	(113.5)	(131.0)
Transaction costs	(0.1)	-	(0.3)	(0.4)
Balance at March 31, 2022	<u>\$ 203.9</u>	<u>\$ -</u>	<u>\$ 577.9</u>	<u>\$ 781.8</u>
Net income	22.0	-	129.8	151.8
Equity-based compensation	0.4	-	-	0.4
Distributions - \$0.5492 per share	(24.2)	-	(107.6)	(131.8)
Recognition of deferred tax asset	86.4	-	-	86.4
Sale of shares held by Sponsors	27.0	-	(27.0)	-
Class B unit repurchase	(66.6)	-	(333.4)	(400.0)
Transaction costs	(0.2)	-	(0.9)	(1.1)
Balance at June 30, 2022	<u>\$ 248.7</u>	<u>\$ -</u>	<u>\$ 238.8</u>	<u>\$ 487.5</u>
Net income	23.2	-	136.2	159.4
Equity-based compensation	0.4	-	-	0.4
Distributions - \$0.5559 per share	(24.5)	-	(108.9)	(133.4)
Balance at September 30, 2022	<u>\$ 247.8</u>	<u>\$ -</u>	<u>\$ 266.1</u>	<u>\$ 513.9</u>

See accompanying notes to unaudited consolidated financial statements.

PART I—FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2023	2022
(in millions)		
Cash flows from operating activities		
Net income	\$ 454.9	\$ 470.8
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	142.1	134.9
(Income) loss from equity investments	(5.3)	(4.2)
Distributions from equity investments	7.8	7.5
Amortization of deferred financing costs	6.3	6.6
Equity-based compensation expense	1.3	1.3
Deferred income tax expense (benefit)	25.9	19.6
Changes in assets and liabilities:		
Accounts receivable – affiliate	1.3	(10.3)
Other current and noncurrent assets	(5.7)	(3.9)
Accounts payable – trade	(7.6)	7.7
Accounts payable – affiliate	(0.6)	(1.7)
Accrued liabilities	0.8	8.0
Other current and noncurrent liabilities	(2.4)	2.2
Net cash provided by (used in) operating activities	<u>618.8</u>	<u>638.5</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(160.0)	(176.6)
Net cash provided by (used in) investing activities	<u>(160.0)</u>	<u>(176.6)</u>
Cash flows from financing activities		
Net proceeds from (repayments of) bank borrowings with maturities of 90 days or less	258.0	(61.0)
Bank borrowings with maturities of greater than 90 days		
Borrowings	-	20.0
Repayments	-	(10.0)
Proceeds from issuance of senior notes	-	400.0
Deferred financing costs	-	(13.0)
Transaction costs	(1.5)	(1.3)
Class B unit repurchase	(300.0)	(400.0)
Distributions to shareholders	(85.2)	(66.2)
Distributions to noncontrolling interest	(329.9)	(330.0)
Net cash provided by (used in) financing activities	<u>(458.6)</u>	<u>(461.5)</u>
Increase (decrease) in cash and cash equivalents	0.2	0.4
Cash and cash equivalents, beginning of period	3.1	2.2
Cash and cash equivalents, end of period	<u>\$ 3.3</u>	<u>\$ 2.6</u>
Supplemental disclosure of non-cash investing and financing activities:		
(Increase) decrease in accrued capital expenditures and related liabilities	\$ (13.9)	\$ 7.2
Recognition of deferred tax asset	\$ 177.7	\$ 86.4

See accompanying notes to unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

Note 1. Basis of Presentation

Unless the context otherwise requires, references in this report to the “Company,” “we,” “our,” “us” or like terms, refer to Hess Midstream LP and its subsidiaries.

The consolidated financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our consolidated financial position at September 30, 2023 and December 31, 2022, the consolidated results of operations for the three and nine months ended September 30, 2023 and 2022, and the consolidated cash flows for the nine months ended September 30, 2023 and 2022. The Company has no items of other comprehensive income (loss); therefore, net income (loss) is equal to comprehensive income (loss). The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year.

The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted from these interim consolidated financial statements. These financial statements, therefore, should be read in conjunction with the financial statements and related notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2022.

We consolidate the activities of Hess Midstream Operations LP (“the Partnership”), as a variable interest entity (“VIE”) under U.S. GAAP. We have concluded that we are the primary beneficiary of the VIE, as defined in the accounting standards, since we have the power, through our ownership, to direct those activities that most significantly impact the economic performance of the Partnership. This conclusion was based on a qualitative analysis that considered the Partnership’s governance structure and the delegation of control provisions, which provide us the ability to control the operations of the Partnership. All financial statement activities associated with the VIE are captured within gathering, processing and storage, and terminaling and export segments (see Note 11, *Segments*). We currently do not have any independent assets or operations other than our interest in the Partnership. Our noncontrolling interest represents the approximate 70.2% interest in the Partnership retained by Hess Corporation (“Hess”) and GIP II Blue Holding, L.P. (“GIP” and together with Hess, the “Sponsors”) at September 30, 2023 (81.7% at December 31, 2022). See Note 2, *Equity Transactions* for a description of changes in noncontrolling interest related to the equity transactions.

Note 2. Equity Transactions

Equity Offering Transactions

On April 4, 2022, the Sponsors sold an aggregate of 10,235,000 of our Class A shares representing limited partner interests (the “Class A Shares”), inclusive of the underwriters’ option to purchase up to 1,335,000 of additional shares, which was fully exercised, in an underwritten public offering at a price of \$29.50 per Class A Share, less underwriting discounts. The Sponsors received net proceeds from the offering of approximately \$291.7 million, after deducting underwriting discounts.

On May 19, 2023, the Sponsors sold an aggregate of 12,765,000 of our Class A Shares, inclusive of the underwriters’ option to purchase up to 1,665,000 of additional shares, which was fully exercised, in an underwritten public offering at a price of \$27.00 per Class A Share, less underwriting discounts. The Sponsors received net proceeds from the offering of approximately \$333.4 million, after deducting underwriting discounts.

On August 17, 2023, GIP sold an aggregate of 10,000,000 of our Class A Shares in an underwritten public offering at a price of \$28.80 per Class A Share, less underwriting discounts. GIP also granted the underwriter an option to purchase up to an additional 1,500,000 Class A Shares at the same price per Class A Share, less underwriting discounts, which was exercised in full on August 22, 2023. GIP received net proceeds from the offering of approximately \$328.8 million, after deducting underwriting discounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

The Company did not receive any proceeds in the equity offering transactions. The above equity offering transactions were conducted pursuant to a registration rights agreement among us and the Sponsors. The Class A Shares sold in the offerings were obtained by the Sponsors by exchanging to us the respective number of their Class B units representing limited partner interests in the Partnership (the “Class B Units”), together with an equal number of Class B shares representing limited partner interests in the Company (the “Class B Shares”) held by the Company’s general partner. As a result, the total number of Class A and Class B Shares did not change. The Company retained control in the Partnership based on the delegation of control provisions, as described in Note 1, *Basis of Presentation*. As a result of the equity offering transactions described above, we recognized adjustments increasing the carrying amount of the Class A shareholders’ capital balance by \$17.8 million (nine months ended September 30, 2022: \$27.0 million) and decreasing the carrying amount of noncontrolling interest by an equal amount to reflect the change in ownership interest.

Class B Unit Repurchases

On March 29, 2022, the Company, the Partnership and our Sponsors entered into a unit repurchase agreement pursuant to which the Partnership agreed to purchase from the Sponsors, subject to the 2022 secondary equity offering transaction described above, an aggregate number of Class B Units to be determined by dividing (a) \$400.0 million by (b) the public offering price of the Class A Shares to be set in the secondary offering. On April 4, 2022, the repurchase transaction closed, and the Partnership purchased directly from the Sponsors 13,559,322 Class B Units at a purchase price per Class B Unit of \$29.50, which is equal to the public offering price per Class A Share in the 2022 equity offering transaction described above. The 2022 repurchase transaction was funded using borrowings under the Partnership’s revolving credit facility, which were subsequently repaid with proceeds from a \$400.0 million senior unsecured notes offering (see Note 6, *Debt and Interest Expense*).

On March 27, 2023, the Company, the Partnership and our Sponsors entered into a unit repurchase agreement pursuant to which the Partnership agreed to purchase from the Sponsors 3,619,254 Class B Units for an aggregate purchase price of approximately \$100.0 million. The repurchase transaction was consummated on March 30, 2023. The purchase price per Class B Unit was \$27.63, the closing price of the Class A Shares on March 27, 2023.

On June 26, 2023, the Company, the Partnership and our Sponsors entered into a unit repurchase agreement pursuant to which the Partnership agreed to purchase from the Sponsors 3,350,084 Class B Units for an aggregate purchase price of approximately \$100.0 million. The repurchase transaction was consummated on June 29, 2023. The purchase price per Class B Unit was \$29.85, the closing price of the Class A Shares on June 26, 2023.

On September 19, 2023, the Company, the Partnership and our Sponsors entered into a unit repurchase agreement pursuant to which the Partnership agreed to purchase from the Sponsors 3,301,420 Class B Units for an aggregate purchase price of approximately \$100.0 million. The repurchase transaction was consummated on September 22, 2023. The purchase price per Class B Unit was \$30.29, the closing price of the Class A Shares on September 19, 2023.

The 2023 repurchase transactions were funded using borrowings under the Partnership’s existing revolving credit facility (see Note 6, *Debt and Interest Expense*).

Pursuant to the terms of the repurchase agreements described above, immediately following each purchase of the Class B Units from the Sponsors, the Partnership cancelled the repurchased units, and the Company cancelled, for no consideration, an equal number of its Class B Shares.

The repurchase transactions were accounted for in accordance with ASC 810 whereby changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. The carrying amounts of the noncontrolling interest were adjusted to reflect the changes in the ownership interest with the difference between the amounts of consideration paid and the amounts by which the noncontrolling interest were adjusted recognized as a reduction in equity attributable to Class A shareholders. We incurred approximately \$2.5 million of costs directly attributable to the repurchase transactions that were charged to equity (nine months ended September 30, 2022: \$1.5 million).

As a result of the equity offering and the unit repurchase transactions described above, we also recognized an additional deferred tax asset of \$177.7 million (nine months ended September 30, 2022: \$86.4 million) related to the change in the temporary difference between the carrying amount and the tax basis of our investment in the Partnership. The effect of recognizing the additional deferred tax asset was included in Class A shareholders’ equity balance in the accompanying consolidated statement of changes in partners’ capital due to the transactions being characterized as transactions among or with shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

Note 3. Related Party Transactions

In addition to the Class B Unit repurchase transactions and distributions to the Sponsors disclosed elsewhere in the Notes to consolidated financial statements, we had the following related party transactions:

Commercial Agreements

Effective January 1, 2014, we entered into long-term fee-based (i) gas gathering, (ii) crude oil gathering, (iii) gas processing and fractionation, (iv) storage services, and (v) terminal and export services agreements with certain subsidiaries of Hess. Effective January 1, 2019, we entered into long-term fee-based water services agreements with a subsidiary of Hess. For the services performed under these commercial agreements, we receive a fee per barrel of crude oil, barrel of water, Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, delivered during each month, and Hess is obligated to provide us with minimum volumes of crude oil, water, natural gas and NGLs. Minimum volume commitments (“MVCs”) are equal to 80% of Hess’ nominations in each development plan that apply on a three-year rolling basis such that MVCs are set for the three years following the most recent nomination. Without our consent, the MVCs resulting from the nominated volumes for any quarter or year contained in any prior development plan shall not be reduced by any updated development plan unless dedicated production is released by us. The applicable MVCs may, however, be increased as a result of the nominations contained in any such updated development plan.

Except for the water services agreements and except for a certain gathering sub-system as described below, each of our commercial agreements with Hess has an initial 10-year term effective January 1, 2014 (“Initial Term”). For this gathering sub-system, the Initial Term is 15 years effective January 1, 2014 and for the water services agreements the Initial Term is 14 years effective January 1, 2019. Each of our commercial agreements other than our storage services agreement includes an inflation escalator and a fee recalculation mechanism that allows fees to be adjusted annually during the Initial Term for updated estimates of cumulative throughput volumes and our capital and operating expenditures in order to target a return on capital deployed over the Initial Term of the applicable commercial agreement (or, with respect to the crude oil services fee under our terminal and export services agreement, the 20-year period commencing on the effective date of the agreement).

We have the unilateral right, exercisable by the delivery of a written notice on or before the date that is three years prior to the expiration of the Initial Term, to extend each commercial agreement for one additional 10-year term (“Secondary Term”). For a certain gathering sub-system, the Secondary Term is 5-years and for the water services agreements the Secondary Term is 10 years. On December 30, 2020, we exercised our renewal options to extend the terms of certain crude oil gathering, terminaling, storage, gas processing and gas gathering commercial agreements with Hess for the Secondary Term through December 31, 2033. There were no changes to any provisions of the existing commercial agreements as a result of the exercise of the renewal options. For the remaining water gathering and disposal agreements as well as the remaining gas gathering agreement, we have the sole option to renew these agreements for an additional term that is exercisable at a later date.

During the Secondary Term of each of our commercial agreements other than our storage services agreement and terminal and export services agreement (with respect to crude oil terminaling services), the fee recalculation model under each applicable agreement will be replaced by an inflation-based fee structure. The initial fee for the first year of the Secondary Term will be determined based on the average fees paid by Hess under the applicable agreement during the last three years of the Initial Term (with such fees adjusted for inflation through the first year of the Secondary Term). For each year following the first year of the Secondary Term, the applicable fee will be adjusted annually based on the percentage change in the consumer price index, provided that we may not increase any fee by more than 3% in any calendar year solely by reason of an increase in the consumer price index, and no fee will ever be reduced below the amount of the applicable fee payable by Hess in the prior year as a result of a decrease in the consumer price index. During the Secondary Term of our commercial agreements, Hess will continue to have MVCs equal to 80% of Hess’ nominations in each development plan that apply on a three-year rolling basis through the Secondary Term.

For the three and nine months ended September 30, 2023 and 2022, approximately 100% of our revenues were attributable to our fee-based commercial agreements with Hess, including revenues from third-party volumes contracted with Hess and delivered to us under these agreements. We retain control of our assets and the flow of volumes based on available capacity within our integrated gathering, processing and terminaling systems. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

PART I – FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

Revenues from contracts with customers on a disaggregated basis are as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oil and gas gathering services	\$ 170.5	\$ 160.5	\$ 467.8	\$ 454.2
Processing and storage services	132.2	121.7	367.6	352.0
Terminaling and export services	31.8	30.5	83.2	95.5
Water gathering and disposal services	26.8	21.5	68.0	57.6
Total revenues from contracts with customers	\$ 361.3	\$ 334.2	\$ 986.6	\$ 959.3
Other income	1.8	0.6	5.5	1.3
Total revenues	\$ 363.1	\$ 334.8	\$ 992.1	\$ 960.6

The following table presents MVC shortfall fees earned during each period:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Oil and gas gathering services	\$ 2.8	\$ 20.1	\$ 6.4	\$ 71.9
Processing and storage services	-	-	(0.3)	22.8
Terminaling and export services	-	6.9	3.2	23.5
Water gathering disposal services	-	-	-	0.4
Total	\$ 2.8	\$ 27.0	\$ 9.3	\$ 118.6

The following table presents third-party pass-through costs for which we recognize revenues in an amount equal to the costs. These third-party costs are included in Operating and maintenance expenses in the accompanying unaudited consolidated statements of operations.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Electricity and other related fees	\$ 13.0	\$ 12.7	\$ 35.5	\$ 35.2
Produced water trucking and disposal costs	12.1	9.4	29.1	25.2
Rail transportation costs	-	-	(3.4)	4.3
Total	\$ 25.1	\$ 22.1	\$ 61.2	\$ 64.7

Omnibus and Employee Secondment Agreements

Under our omnibus and employee secondment agreements, Hess provides substantial operational and administrative services to us in support of our assets and operations. For the three and nine months ended September 30, 2023 and 2022, we had the following charges from Hess. The classification of these charges between operating and maintenance expenses and general and administrative expenses is based on the fundamental nature of the services being performed for our operations.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating and maintenance expenses	\$ 18.7	\$ 17.8	\$ 56.1	\$ 51.4
General and administrative expenses	4.0	4.0	11.7	11.5
Total	\$ 22.7	\$ 21.8	\$ 67.8	\$ 62.9

PART I – FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

LM4 Agreements

Separately from our commercial agreements with Hess, we entered into a gas processing agreement with Little Missouri 4 (“LM4”), a 50/50 joint venture with Targa Resources Corp., under which we pay a processing fee per Mcf of natural gas and reimburse LM4 for our proportionate share of electricity costs. These processing fees are included in Operating and maintenance expenses in the accompanying consolidated statements of operations. In addition, we share profits and losses and receive distributions from LM4 under the LM4 amended and restated limited liability company agreement based on our ownership interest. For the three and nine months ended September 30, 2023 and 2022, we had the following activity related to our agreements with LM4:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in millions)				
Processing fee incurred	\$ 6.9	\$ 6.7	\$ 17.7	\$ 15.9
Earnings from equity investments	2.0	2.8	5.3	4.2
Distributions received from equity investments	3.4	1.4	7.8	7.5

Note 4. Property, Plant and Equipment

Property, plant and equipment, at cost, is as follows:

	Estimated useful lives	September 30, 2023	December 31, 2022
(in millions, except for number of years)			
Gathering assets			
Pipelines	22 years	\$ 1,646.0	\$ 1,591.7
Compressors, pumping stations and terminals	22 to 25 years	946.5	923.1
Gas plant assets			
Pipelines, pipes and valves	22 to 25 years	460.0	460.0
Equipment	12 to 30 years	428.2	428.2
Processing and fractionation facilities	25 years	417.2	414.4
Buildings	35 years	182.3	182.3
Logistics facilities and railcars	20 to 25 years	409.2	389.3
Storage facilities	20 to 25 years	19.7	19.7
Other	20 to 25 years	28.2	25.5
Construction-in-progress	N/A	209.7	136.3
Total property, plant and equipment, at cost		4,747.0	4,570.5
Accumulated depreciation		(1,539.2)	(1,397.7)
Property, plant and equipment, net		\$ 3,207.8	\$ 3,172.8

Note 5. Accrued Liabilities

Accrued liabilities are as follows:

	September 30, 2023	December 31, 2022
(in millions)		
Accrued interest	\$ 29.0	\$ 35.4
Accrued capital expenditures	28.9	24.1
Other accruals	31.3	23.4
Total	\$ 89.2	\$ 82.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

Note 6. Debt and Interest Expense

Fixed-Rate Senior Notes

As of September 30, 2023, the Partnership had \$400.0 million aggregate principal amount of 5.500% fixed-rate senior unsecured notes due 2030 that were issued to qualified institutional investors. Interest is payable semi-annually on April 15 and October 15.

As of September 30, 2023, the Partnership had \$750.0 million aggregate principal amount of 4.250% fixed-rate senior unsecured notes due 2030 that were issued to qualified institutional investors. Interest is payable semi-annually on February 15 and August 15.

As of September 30, 2023, the Partnership also had \$550.0 million aggregate principal amount of 5.125% fixed-rate senior unsecured notes due 2028 that were issued to qualified institutional investors. Interest is payable semi-annually on June 15 and December 15.

In addition, as of September 30, 2023, the Partnership had \$800.0 million aggregate principal amount of 5.625% fixed-rate senior unsecured notes due 2026 that were issued to qualified institutional investors. Interest is payable semi-annually on February 15 and August 15.

The notes described above are guaranteed by certain subsidiaries of the Partnership. Each of the indentures for the senior unsecured notes described above contains customary covenants that restrict our ability and the ability of our restricted subsidiaries to (i) declare or pay any dividend or make any other restricted payments; (ii) transfer or sell assets or subsidiary stock; (iii) incur additional debt; or (iv) make restricted investments, unless, at the time of and immediately after giving pro forma effect to such restricted payments and any related incurrence of indebtedness or other transactions, no default has occurred and is continuing or would occur as a consequence of such restricted payment and if the leverage ratio does not exceed 4.25 to 1.00. As of September 30, 2023, we were in compliance with all debt covenants under the indentures.

In addition, the covenants included in the indentures governing the senior unsecured notes contain provisions that allow the Company to satisfy the Partnership's reporting obligations under the indenture, as long as any such financial information of the Company contains information reasonably sufficient to identify the material differences, if any, between the financial information of the Company, on the one hand, and the Partnership and its subsidiaries on a stand-alone basis, on the other hand and the Company does not directly own capital stock of any person other than the Partnership and its subsidiaries, or material business operations that would not be consolidated with the financial results of the Partnership and its subsidiaries. The Company is a holding company and has no independent assets or operations. Other than the interest in the Partnership and the effect of federal and state income taxes that are recognized at the Company level, there are no material differences between the consolidated financial statements of the Partnership and the consolidated financial statements of the Company.

Credit Facilities

As of September 30, 2023, the Partnership had \$1.4 billion senior secured credit facilities (the "Credit Facilities") consisting of a \$1.0 billion 5-year revolving credit facility and a \$400.0 million 5-year Term Loan A facility. The Credit Facilities mature in July 2027. Facility fees accrue on the total capacity of the revolving credit facility. Borrowings under the 5-year Term Loan A facility generally bear interest at Secured Overnight Financing Rate ("SOFR") plus the applicable margin ranging from 1.65% to 2.55%, while the applicable margin for the 5-year syndicated revolving credit facility ranges from 1.375% to 2.050%. Pricing levels for the facility fee and interest rate margins are based on the Partnership's ratio of total debt to EBITDA (as defined in the Credit Facilities). If the Partnership obtains an investment grade credit rating, the pricing levels will be based on the Partnership's credit ratings in effect from time to time. As of September 30, 2023, borrowings of \$276.0 million were drawn and outstanding under the Partnership's revolving credit facility, and borrowings of \$400.0 million, excluding deferred issuance costs, were drawn and outstanding under the Partnership's Term Loan A facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

The Credit Facilities can be used for borrowings and letters of credit for general corporate purposes. The Credit Facilities are guaranteed by each direct and indirect wholly owned material domestic subsidiary of the Partnership, and are secured by first priority perfected liens on substantially all of the presently owned and after-acquired assets of the Partnership and its direct and indirect wholly owned material domestic subsidiaries, including equity interests directly owned by such entities, subject to certain customary exclusions. The Credit Facilities contain representations and warranties, affirmative and negative covenants and events of default that the Partnership considers to be customary for an agreement of this type, including a covenant that requires the Partnership to maintain a ratio of total debt to EBITDA (as defined in the Credit Facilities) for the prior four fiscal quarters of not greater than 5.00 to 1.00 as of the last day of each fiscal quarter (5.50 to 1.00 during the specified period following certain acquisitions) and, prior to the Partnership obtaining an investment grade credit rating, a ratio of secured debt to EBITDA for the prior four fiscal quarters of not greater than 4.00 to 1.00 as of the last day of each fiscal quarter. As of September 30, 2023, the Partnership was in compliance with these financial covenants.

Fair Value Measurement

At September 30, 2023, our total debt had a carrying value of \$3,148.3 million and had a fair value of approximately \$2,954.5 million, based on Level 2 inputs in the fair value measurement hierarchy. The carrying value of the amounts under the Term Loan A facility and revolving credit facility at September 30, 2023, approximated their fair value. Any changes in interest rates do not impact cash outflows associated with fixed rate interest payments or settlement of debt principal, unless a debt instrument is repurchased prior to maturity.

Note 7. Partners' Capital and Distributions

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash, as defined in the partnership agreement, to shareholders of record on the applicable record date. The following table details the distributions declared and/or paid for the periods presented:

Period	Record Date	Distribution Date	Distribution per Class A Share	
First Quarter 2022	May 5, 2022	May 13, 2022	\$	0.5492
Second Quarter 2022	August 4, 2022	August 12, 2022	\$	0.5559
Third Quarter 2022	November 3, 2022	November 14, 2022	\$	0.5627
Fourth Quarter 2022	February 2, 2023	February 13, 2023	\$	0.5696
First Quarter 2023	May 4, 2023	May 12, 2023	\$	0.5851
Second Quarter 2023	August 3, 2023	August 14, 2023	\$	0.6011
Third Quarter 2023 ⁽¹⁾	November 2, 2023	November 14, 2023	\$	0.6175

⁽¹⁾ For more information, see Note 12, Subsequent Events.

Note 8. Earnings per Share

We calculate earnings per Class A Share as we do not have any other participating securities. Substantially all of income tax expense is attributed to earnings of Class A Shares reflective of our organizational structure. Class B Units of the Partnership together with the equal number of Class B Shares of the Company are convertible to Class A Shares of the Company on a one-for-one basis. In addition, our restricted equity-based awards may have a dilutive effect on our earnings per share. Diluted earnings per Class A Share are calculated using the "treasury stock method" or "if-converted method," whichever is more dilutive.

(in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 164.8	\$ 159.4	\$ 454.9	\$ 470.8
Less: Net income attributable to noncontrolling interest	129.5	136.2	373.8	408.7
Net income attributable to Hess Midstream LP	35.3	23.2	81.1	62.1
Net income attributable to Hess Midstream LP per Class A share:				
Basic:	\$ 0.57	\$ 0.53	\$ 1.56	\$ 1.54
Diluted:	\$ 0.57	\$ 0.53	\$ 1.54	\$ 1.52
Weighted average Class A shares outstanding:				
Basic:	62.5	44.0	52.2	40.5
Diluted:	62.5	44.1	52.2	40.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

For the three and nine months ended September 30, 2023 the weighted average number of Class A Shares outstanding included 34,752 and 38,319 dilutive restricted shares, respectively, compared with 58,300 and 70,262 dilutive restricted shares for the three and nine months ended September 30, 2022, respectively.

Note 9. Concentration of Credit Risk

Hess represented approximately 100% of our total revenues and accounts receivable for the three and nine months ended September 30, 2023 and 2022.

Note 10. Commitments and Contingencies

Environmental Contingencies

The Company is subject to federal, state and local laws and regulations relating to the environment. On August, 12, 2022, the Company became aware of a produced water release from an underground pipeline located approximately 8 miles north of Ray, North Dakota. It is estimated that approximately 34,000 barrels of produced water were released, causing impacts to soils, crops, and groundwater. Remediation infrastructure was put in place and remediation and monitoring is ongoing.

As of September 30, 2023 our reserves for all estimated remediation liabilities, inclusive of the produced water release above, in Accrued liabilities and Other noncurrent liabilities were \$1.3 million and \$6.1 million, respectively, compared with \$1.4 million and \$4.3 million, respectively, as of December 31, 2022.

Legal Proceedings

In the ordinary course of business, the Company is from time to time party to various judicial and administrative proceedings. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of a known contingency, we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued.

On or about March 14, 2023, the Company received a Notice of Violation (the “Notice”) from the North Dakota Department of Environmental Quality in the connection with the produced water release described under Environmental Contingencies above. The Notice alerts the Company that it may have violated the State’s water pollution control laws, but neither imposes nor waives any enforcement action. The State has not yet taken formal enforcement action. The Company responded to the Notice detailing the steps it has taken to remediate the produced water release. Unless and until formal enforcement action is started, the Company cannot fully predict the potential cost of any fines or penalties and what rights, claims, and defenses it may have.

Based on currently available information, we believe it is remote that the outcome of known matters, including the produced water release described above, would have a material adverse impact on our financial condition, results of operations or cash flows. Accordingly, as of September 30, 2023 and December 31, 2022, we did not have material accrued liabilities for legal contingencies.

Note 11. Segments

Our operations are located in the United States and are organized into three reportable segments: (1) gathering, (2) processing and storage and (3) terminaling and export. Our reportable segments comprise the structure used by our Chief Operating Decision Maker (“CODM”) to make key operating decisions and assess performance. These segments are strategic business units with differing products and services. Our CODM evaluates the segments’ operating performance based on multiple measures including Adjusted EBITDA, defined as net income (loss) before net interest expense, income tax expense (benefit), depreciation and amortization and our proportional share of depreciation of equity affiliates, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, such as transaction costs, other income and other non-cash, non-recurring items, if applicable.

PART I – FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

The following tables reflect certain financial data for each reportable segment:

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated</u>
For the Three Months Ended September 30, 2023					
Revenues and other income	\$ 197.5	\$ 133.2	\$ 32.4	\$ -	\$ 363.1
Net income (loss)	113.6	92.8	17.6	(59.2)	164.8
Net income (loss) attributable to Hess Midstream LP	30.0	24.5	4.8	(24.0)	35.3
Depreciation expense	28.9	14.5	4.3	-	47.7
Proportional share of equity affiliates' depreciation	-	1.3	-	-	1.3
Income from equity investments	-	2.0	-	-	2.0
Interest expense, net	-	-	-	45.8	45.8
Income tax expense	-	-	-	11.4	11.4
Adjusted EBITDA	142.5	108.6	21.9	(2.0)	271.0
Capital expenditures*	60.3	4.2	-	-	64.5

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated</u>
For the Three Months Ended September 30, 2022					
Revenues and other income	\$ 182.0	\$ 121.7	\$ 31.1	\$ -	\$ 334.8
Net income (loss)	103.4	83.9	21.2	(49.1)	159.4
Net income (loss) attributable to Hess Midstream LP	18.9	15.2	4.0	(14.9)	23.2
Depreciation expense	26.9	14.5	4.1	-	45.5
Proportional share of equity affiliates' depreciation	-	1.3	-	-	1.3
Income from equity investments	-	2.8	-	-	2.8
Interest expense, net	-	-	-	39.9	39.9
Income tax expense	-	-	-	7.5	7.5
Adjusted EBITDA	130.3	99.7	25.3	(1.7)	253.6
Capital expenditures*	55.8	2.6	2.2	-	60.6

PART I – FINANCIAL INFORMATION (CONT'D)
HESS MIDSTREAM LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

[Table of Contents](#)

	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated</u>
(in millions)					
For the Nine Months Ended September 30, 2023					
Revenues and other income	\$ 536.7	\$ 370.4	\$ 85.0	\$ -	\$ 992.1
Net income (loss)	308.7	258.0	51.9	(163.7)	454.9
Net income (loss) attributable to Hess Midstream LP	68.7	57.3	11.5	(56.4)	81.1
Depreciation expense	85.9	43.5	12.7	-	142.1
Proportional share of equity affiliates' depreciation	-	3.9	-	-	3.9
Income from equity investments	-	5.3	-	-	5.3
Interest expense, net	-	-	-	131.2	131.2
Income tax expense	-	-	-	26.0	26.0
Adjusted EBITDA	394.6	305.4	64.6	(6.5)	758.1
Capital expenditures*	156.1	7.8	10.0	-	173.9

	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated</u>
(in millions)					
For the Nine Months Ended September 30, 2022					
Revenues and other income	\$ 511.8	\$ 352.0	\$ 96.8	\$ -	\$ 960.6
Net income (loss)	296.8	243.3	64.4	(133.7)	470.8
Net income (loss) attributable to Hess Midstream LP	49.5	40.6	10.7	(38.7)	62.1
Depreciation expense	79.4	43.3	12.2	-	134.9
Proportional share of equity affiliates' depreciation	-	3.9	-	-	3.9
Income from equity investments	-	4.2	-	-	4.2
Interest expense, net	-	-	-	108.6	108.6
Income tax expense	-	-	-	19.6	19.6
Adjusted EBITDA	376.2	290.5	76.6	(5.5)	737.8
Capital expenditures*	159.2	4.8	5.4	-	169.4

*Includes acquisition, expansion and maintenance capital expenditures, as applicable.

Total assets for the reportable segments are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
(in millions)		
Gathering	\$ 2,103.0	\$ 2,022.0
Processing and Storage ⁽¹⁾	1,061.1	1,099.2
Terminaling and Export	269.6	275.8
Interest and Other	341.8	191.2
Total assets	\$ 3,775.5	\$ 3,588.2

(1) Includes investment in equity investees of \$91.4 million as of September 30, 2023 and \$93.9 million as of December 31, 2022.

[Table of Contents](#)

Note 12. Subsequent Events

On October 22, 2023, Hess entered into an Agreement and Plan of Merger (the “Chevron Merger Agreement”) with Chevron Corporation (“Chevron”) and Yankee Merger Sub Inc., a direct, wholly-owned subsidiary of Chevron (“Merger Subsidiary”). The Chevron Merger Agreement provides that, among other things and subject to the terms and conditions of the Chevron Merger Agreement, Merger Subsidiary will be merged with and into Hess, with Hess surviving and continuing as the surviving corporation in the merger as a direct, wholly-owned subsidiary of Chevron (such transaction, the “Chevron Merger”). The Chevron Merger is expected to close in the first half of 2024, subject to shareholder and regulatory approvals and other customary closing conditions. Upon consummation of the proposed transaction, Chevron will acquire Hess’ 37.8% ownership in the Company, including its right to appoint four directors to the Company’s Board.

On October 23, 2023, the board of directors of our general partner declared a quarterly cash distribution of \$0.6175 per Class A Share for the quarter ended September 30, 2023. The distribution represents an approximate 2.7% increase in the quarterly distribution per Class A Share for the third quarter of 2023 as compared with the second quarter of 2023. The distribution will be payable on November 14, 2023, to shareholders of record as of the close of business on November 2, 2023. Simultaneously, the Partnership will make a distribution of \$0.6175 per Class B Unit of the Partnership to the Sponsors.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited financial statements and accompanying footnotes included under Item 1. Financial Statements and in conjunction with the audited consolidated financial statements and accompanying footnotes in our Annual Report on Form 10-K for the year ended December 31, 2022 (our “2022 Annual Report”).

Unless otherwise stated or the context otherwise indicates, references in this report to “Hess Midstream LP,” “the Company,” “us,” “our,” “we” or similar terms refer to Hess Midstream LP, including its consolidated subsidiaries. References to “Partnership” refer to Hess Midstream Operations LP.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled “Risk Factors” in this Quarterly Report on Form 10-Q and in our 2022 Annual Report.

Overview

We are a fee-based, growth-oriented, limited partnership that owns, operates, develops and acquires a diverse set of midstream assets and provides fee-based services to Hess Corporation (“Hess”) and third-party customers. We are managed and controlled by Hess Midstream GP LLC, the general partner of our general partner that is owned 50/50 by Hess and GIP II Blue Holding, L.P. (“GIP” and together with Hess, the “Sponsors”). Our assets are primarily located in the Bakken and Three Forks shale plays in the Williston Basin area of North Dakota, which we collectively refer to as the Bakken.

On March 30, 2023, the Partnership purchased directly from the Sponsors 3,619,254 Class B units representing limited partner interests in the Partnership (“Class B Units”) for an aggregate purchase price of approximately \$100 million. The purchase price per Class B Unit was \$27.63, the closing price of the Class A shares representing limited partner interests in the Company (“Class A Shares”) on March 27, 2023. On June 29, 2023, the Partnership purchased directly from the Sponsors 3,350,084 Class B Units for an aggregate purchase price of approximately \$100 million. The purchase price per Class B Unit was \$29.85, the closing price of the Class A Shares on June 26, 2023. On September 22, 2023, the Partnership purchased directly from the Sponsors 3,301,420 Class B Units for an aggregate purchase price of approximately \$100 million. The purchase price per Class B Unit was \$30.29, the closing price of the Class A Shares on September 19, 2023. The repurchase transactions were funded using borrowings under the Partnership’s existing revolving credit facility.

On May 19, 2023, the Sponsors sold an aggregate of 12,765,000 of our Class A Shares, inclusive of the underwriters’ option to purchase up to 1,665,000 of additional shares, which was fully exercised, in an underwritten public offering at a price of \$27.00 per Class A Share, less underwriting discounts. The Sponsors received net proceeds from the offering of approximately \$333.4 million, after deducting underwriting discounts. On August 17, 2023, GIP sold an aggregate of 10,000,000 of our Class A Shares in an underwritten public offering at a price of \$28.80 per Class A Share, less underwriting discounts. GIP also granted the underwriter an option to purchase up to an additional 1,500,000 Class A Shares at the same price per Class A Share, less underwriting discounts, which was exercised in full on August 22, 2023. GIP received net proceeds from the offering of approximately \$328.8 million, after deducting underwriting discounts. The Company did not receive any proceeds from the offering transactions. The offering transactions were conducted pursuant to a registration rights agreement among us and the Sponsors.

As a result of the equity offering and unit repurchase transactions described above, our public ownership increased from approximately 18% at December 31, 2022, to approximately 29.4% at September 30, 2023, on a consolidated basis.

We utilized the excess free cash flow beyond our growing distributions to provide increased return of capital to our shareholders through an immediate 1.5% increase in our quarterly distribution level per Class A Share in each of the first three quarters of 2023 in addition to the quarterly 1.2% increase per Class A Share consistent with our target of at least 5% growth in annual distributions per Class A Share.

[Table of Contents](#)

On October 22, 2023, Hess entered into an Agreement and Plan of Merger (the “Chevron Merger Agreement”) with Chevron Corporation (“Chevron”) and Yankee Merger Sub Inc., a direct, wholly-owned subsidiary of Chevron (“Merger Subsidiary”). The Chevron Merger Agreement provides that, among other things and subject to the terms and conditions of the Chevron Merger Agreement, Merger Subsidiary will be merged with and into Hess, with Hess surviving and continuing as the surviving corporation in the merger as a direct, wholly-owned subsidiary of Chevron (such transaction, the “Chevron Merger”). The Chevron Merger is expected to close in the first half of 2024, subject to shareholder and regulatory approvals and other customary closing conditions. Upon consummation of the proposed transaction, Chevron will acquire Hess’ 37.8% ownership in the Company, including its right to appoint four directors to the Company’s Board. The Company’s contract structure remains in place. As part of the annual nomination process set forth in the Company’s long-term commercial agreements, the Company plans to set its MVCs and rates, which are expected to be set based on Hess’ current 4-rig program in the Bakken, and will release both in January 2024, consistent with prior practice. See Item 1A. *Risk Factors* for a discussion of risks related to the Chevron Merger.

Our assets and operations are organized into the following three reportable segments: (1) gathering (2) processing and storage and (3) terminaling and export.

Third Quarter Results

Significant financial and operating highlights for the third quarter of 2023 included:

- Consolidated net income of \$164.8 million;
- Net income attributable to Hess Midstream LP after deduction for noncontrolling interest of \$35.3 million, or \$0.57 basic earnings per Class A Share;
- Net cash provided by operating activities of \$215.5 million;
- Adjusted EBITDA of \$271.0 million;
- Distributable cash flow of \$224.1 million;
- Cash distribution of \$0.6175 per Class A Share declared on October 23, 2023, an approximate 2.7% increase in the quarterly distribution per Class A Share for the third quarter of 2023 as compared with the second quarter of 2023. The increase consists of an approximate 1.5% increase in the Company’s distribution level per Class A Share in addition to the quarterly 1.2% increase per Class A Share consistent with its target of at least 5% growth in annual distributions per Class A Share.

Revenues and other income in the third quarter of 2023 were 363.1 million compared with \$334.8 million in the prior-year quarter. Third quarter 2023 revenues and other income were up \$28.3 million compared to the prior-year quarter primarily due to higher physical volumes and tariff rates, partially offset by lower shortfall fees due to the transition from higher MVC levels in 2022 to actual physical volumes in 2023 that are at or above MVCs. Total operating costs and expenses in the third quarter of 2023 were \$143.1 million, compared with \$130.8 million in the prior-year quarter. The increase was primarily attributable to higher maintenance expenses, pass-through expenses and higher depreciation expense for additional assets placed in service, partially offset by higher remediation costs associated with a produced water release in the prior-year quarter. Interest expense in the third quarter of 2023 was \$45.8 million, up from \$39.9 million in the prior-year quarter, primarily attributable to higher interest rates on our credit facilities and higher borrowings on our revolving credit facility. Income tax expense increased \$3.9 million resulting from ownership changes following Class B Unit repurchases and secondary equity offering transactions. As a result, consolidated net income increased \$5.4 million while Adjusted EBITDA increased \$17.4 million for the third quarter of 2023 compared with the third quarter of 2022.

Throughput volumes increased 9% for gas gathering and gas processing in the third quarter of 2023 compared with the third quarter of 2022, primarily due to higher production, including third-party volumes, and higher gas capture. Throughput volumes increased 4% for crude oil gathering and 17% for terminaling in the third quarter of 2023 compared with the third quarter of 2022, primarily due to higher production and higher third-party volumes. Water gathering volumes increased 19% reflecting continued steady organic growth of our water handling business.

For additional discussion of the results of operations at the segment level, see “*Results of Operations*” below. For additional information regarding Adjusted EBITDA and distributable cash flow, our non-GAAP financial measures, see “*How We Evaluate Our Operations*” and “*Reconciliation of Non-GAAP Financial Measures*” below.

How We Generate Revenues

We generate substantially all of our revenues by charging fees for gathering, compressing and processing natural gas and fractionating NGLs; gathering, terminaling, loading and transporting crude oil and NGLs; storing and terminaling propane; and gathering and disposing of produced water. We have entered into long-term, fee-based commercial agreements with Hess effective January 1, 2014, for oil and gas services agreements, and effective January 1, 2019, for water services agreements.

Except for the water services agreements and except for a certain gathering sub-system, as described below, each of our commercial agreements with Hess has an initial 10-year term (“Initial Term”) and we have the unilateral right to renew each of these agreements for one additional 10-year term (“Secondary Term”). In September 2018, we amended our gas gathering and gas processing and fractionation agreements to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. The amended and restated gas gathering agreement also extends the Initial Term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year Initial Term and decreases the secondary term for that gathering sub-system by 5 years to provide for a 5-year Secondary Term. Initial Term for the water services agreements is 14 years and the Secondary Term is 10 years. On December 30, 2020, we exercised our renewal options to extend the terms of certain crude oil gathering, terminaling, storage, gas processing and gas gathering commercial agreements with Hess for the Secondary Term through December 31, 2033. There were no changes to any provisions of the existing commercial agreements as a result of the exercise of the renewal options. For the remaining water gathering and disposal agreements as well as the remaining gas gathering agreement, we have the sole option to renew these agreements for an additional term that is exercisable at a later date.

These agreements include dedications covering substantially all of Hess’ existing and future owned or controlled production in the Bakken, minimum volume commitments, inflation escalators and fee recalculation mechanisms, all of which are intended to provide us with cash flow stability and growth, as well as downside risk protection. In particular, Hess’ minimum volume commitments under our commercial agreements provide minimum levels of cash flows and the fee recalculation mechanisms under the agreements allow fees to be adjusted annually to provide us with cash flow stability during the initial term of the agreements. During the Secondary Term of the agreements, the fee recalculation model will be replaced by an inflation-based fee structure. See Note 3, *Related Party Transactions* for additional description of our commercial agreements.

Our revenues also include revenues from third-party volumes contracted with Hess and delivered to us under these commercial agreements with Hess, as well as pass-through third-party rail transportation costs, third-party produced water trucking and disposal costs, electricity fees and certain other third-party fees, for which we recognize revenues in an amount equal to the costs. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our operating results and profitability. These metrics include (i) volumes, (ii) operating and maintenance expenses, (iii) Adjusted EBITDA, and (iv) distributable cash flow.

Volumes. The amount of revenues we generate primarily depends on the volumes of crude oil, natural gas, NGLs and produced water that we handle at our gathering, processing, terminaling, storage facilities and disposal facilities. These volumes are affected primarily by the supply of and demand for crude oil, natural gas and NGLs in the markets served directly or indirectly by our assets, including changes in crude oil prices, which may further affect volumes delivered by Hess. Although Hess has committed to minimum volumes under our commercial agreements described above, our results of operations will be impacted by our ability to:

- utilize the remaining uncommitted capacity on, or add additional capacity to, our existing assets, and optimize our existing assets;
- identify and execute expansion projects, and capture incremental throughput volumes from Hess and third parties for these expanded facilities;
- increase throughput volumes at our Ramberg Terminal Facility, Tioga Rail Terminal and the Johnson’s Corner Header System by interconnecting with new or existing third-party gathering pipelines; and
- increase gas throughput volumes by interconnecting with new or existing third-party gathering pipelines.

Operating and Maintenance Expenses. Our management seeks to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses are comprised primarily of costs charged to us

under our omnibus agreement and employee secondment agreement, third-party contractor costs, utility costs, insurance premiums, third-party service provider costs, related property taxes and other non-income taxes and maintenance expenses, such as expenditures to repair, refurbish and replace storage facilities and to maintain equipment reliability, integrity and safety. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of substantial expenses, such as gas plant turnarounds. We seek to manage our maintenance expenditures by scheduling periodic maintenance on our assets in order to minimize significant variability in these expenditures and minimize their impact on our cash flow.

Adjusted EBITDA and Distributable Cash Flow. We define Adjusted EBITDA as net income (loss) before net interest expense, income tax expense (benefit), depreciation and amortization and our proportional share of depreciation of our equity affiliates, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, such as transaction costs, other income and other non-cash and non-recurring items, if applicable. We define distributable cash flow as Adjusted EBITDA less net interest, excluding amortization of deferred financing costs, cash paid for federal and state income taxes and maintenance capital expenditures. Distributable cash flow does not reflect changes in working capital balances. We use Adjusted EBITDA and distributable cash flow to analyze our liquidity and performance.

Adjusted EBITDA and distributable cash flow are non-GAAP supplemental financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to other publicly traded companies in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods;
- the ability of our assets to generate sufficient cash flow to make distributions to our shareholders;
- our ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of Adjusted EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA and distributable cash flow are net income (loss) and net cash provided by (used in) operating activities. Adjusted EBITDA and distributable cash flow should not be considered as alternatives to GAAP net income (loss), income (loss) from operations, net cash provided by (used in) operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDA and distributable cash flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. You should not consider Adjusted EBITDA or distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definition of Adjusted EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Results of Operations

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

Results of operations for the three months ended September 30, 2023 and 2022 are presented below (in millions, unless otherwise noted).

For the Three Months Ended September 30, 2023	Gathering	Processing and Storage	Terminaling and Export	Interest and Other	Consolidated Hess Midstream LP
Revenues					
Affiliate services	\$ 197.3	\$ 132.2	\$ 31.8	\$ -	\$ 361.3
Other income	0.2	1.0	0.6	-	1.8
Total revenues	197.5	133.2	32.4	-	363.1
Costs and expenses					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	52.5	26.7	10.2	-	89.4
Depreciation expense	28.9	14.5	4.3	-	47.7
General and administrative expenses	2.5	1.2	0.3	2.0	6.0
Total operating costs and expenses	83.9	42.4	14.8	2.0	143.1
Income (loss) from operations	113.6	90.8	17.6	(2.0)	220.0
Income from equity investments	-	2.0	-	-	2.0
Interest expense, net	-	-	-	45.8	45.8
Income (loss) before income tax expense	113.6	92.8	17.6	(47.8)	176.2
Income tax expense	-	-	-	11.4	11.4
Net income (loss)	113.6	92.8	17.6	(59.2)	164.8
Less: Net income (loss) attributable to noncontrolling interest	83.6	68.3	12.8	(35.2)	129.5
Net income (loss) attributable to Hess Midstream LP	\$ 30.0	\$ 24.5	\$ 4.8	\$ (24.0)	\$ 35.3
Throughput volumes					
Gas gathering (MMcf/d) ⁽¹⁾	404				404
Crude oil gathering (MBbl/d) ⁽²⁾	106				106
Gas processing (MMcf/d) ⁽¹⁾		386			386
Crude oil terminaling (MBbl/d) ⁽²⁾			129		129
NGL loading (MBbl/d) ⁽²⁾			13		13
Water gathering (MBbl/d) ⁽²⁾	99				99

⁽¹⁾ Million cubic feet per day

⁽²⁾ Thousand barrels per day

[Table of Contents](#)

For the Three Months Ended September 30, 2022	Gathering	Processing and Storage	Terminaling and Export	Interest and Other	Consolidated Hess Midstream LP
Revenues					
Affiliate services	\$ 182.0	\$ 121.7	\$ 30.5	\$ -	\$ 334.2
Other income	-	-	0.6	-	0.6
Total revenues	182.0	121.7	31.1	-	334.8
Costs and expenses					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	48.9	25.1	5.6	-	79.6
Depreciation expense	26.9	14.5	4.1	-	45.5
General and administrative expenses	2.8	1.0	0.2	1.7	5.7
Total operating costs and expenses	78.6	40.6	9.9	1.7	130.8
Income (loss) from operations	103.4	81.1	21.2	(1.7)	204.0
Income from equity investments	-	2.8	-	-	2.8
Interest expense, net	-	-	-	39.9	39.9
Income (loss) before income tax expense	103.4	83.9	21.2	(41.6)	166.9
Income tax expense	-	-	-	7.5	7.5
Net Income (loss)	103.4	83.9	21.2	(49.1)	159.4
Less: Net income (loss) attributable to noncontrolling interest	84.5	68.7	17.2	(34.2)	136.2
Net income (loss) attributable to Hess Midstream LP	\$ 18.9	\$ 15.2	\$ 4.0	\$ (14.9)	\$ 23.2

Throughput volumes					
Gas gathering (MMcf/d) ⁽¹⁾	370				370
Crude oil gathering (MBbl/d) ⁽²⁾	102				102
Gas processing (MMcf/d) ⁽¹⁾		354			354
Crude oil terminaling (MBbl/d) ⁽²⁾			110		110
NGL loading (MBbl/d) ⁽²⁾			11		11
Water gathering (MBbl/d) ⁽²⁾	83				83

⁽¹⁾ Million cubic feet per day⁽²⁾ Thousand barrels per day**Gathering**

Revenues and other income increased \$15.5 million in the third quarter of 2023 compared to the third quarter of 2022, of which \$16.8 million is attributable to higher tariff rates, \$3.2 million is attributable to higher pass-through revenue, \$2.6 million is attributable to higher water gathering and disposal revenue and \$0.2 million is attributable to other income. Despite the overall higher gas gathering physical volumes in the third quarter of 2023, these revenue increases were partially offset by \$4.9 million as the higher gas gathering volumes were still below the MVC levels in the third quarter of 2022 in one of the sub-systems. The remaining decrease of \$2.4 million is attributable to crude oil gathering volumes where actual physical volumes were above MVCs in the third quarter of 2023 and below MVC's in the third quarter of 2022, with physical volumes in 2023 lower than MVC levels in 2022.

Operating and maintenance expenses increased \$3.6 million, of which \$3.2 million is attributable to higher pass-through costs, including produced water trucking and disposal and electricity fees, \$3.0 million is attributable to the Hawkeye Gas Facility turnaround, compressor stations overhauls and other maintenance activities, partially offset by \$2.6 million attributable to the August 2022 produced water release remediation reserve. Depreciation expense increased \$2.0 million due to new compressors, produced water disposal facilities and other new gathering assets brought into service.

Processing and Storage

Revenues and other income increased \$11.5 million in the third quarter of 2023 compared to the third quarter of 2022, of which \$8.7 million is attributable to higher gas processing volumes where actual physical volumes were above MVC levels in the third quarter of 2023 and 2022, \$2.0 million is attributable to higher tariff rates and \$0.8 million is attributable to other income, including pass-through income.

Operating and maintenance expenses increased \$1.6 million, of which \$1.3 million is attributable to higher maintenance costs and \$0.5 million is attributable to higher third-party processing fees, partially offset by \$0.2 million attributable to lower pass-through expenses.

Income from equity investments decreased \$0.8 million in the third quarter of 2023 compared to the third quarter of 2022 primarily due to lower volumes processed at the LM4 plant.

Terminaling and Export

Revenues and other income increased \$1.3 million in the third quarter of 2023 compared to the third quarter of 2022, of which \$3.9 million is attributable to higher tariff rates. This revenue increase was partially offset by \$2.6 million attributable to crude oil terminaling volumes where actual physical volumes were above MVCs in the third quarter of 2023 and below MVCs in the third quarter of 2022, with physical volumes in 2023 lower than MVC levels in 2022.

Operating and maintenance expenses increased \$4.6 million in the third quarter of 2023 compared to the third quarter of 2022, of which \$3.8 million is attributable to rail car inspection and recertification activities and \$0.8 million is attributable to other maintenance expenses.

Interest and Other

Interest expense, net of interest income, increased \$5.9 million in the third quarter of 2023 compared to the third quarter of 2022, primarily attributable to higher interest rates on our credit facilities and higher borrowings on our revolving credit facility. Income tax expense increased \$3.9 million in the same period driven by increased ownership of the Partnership by Hess Midstream LP following equity offering and unit repurchase transactions in 2022 and 2023.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Results of operations for the nine months ended September 30, 2023 and 2022 are presented below (in millions, unless otherwise noted).

For the Nine Months Ended September 30, 2023	Gathering	Processing and Storage	Terminaling and Export	Interest and Other	Consolidated Hess Midstream LP
Revenues					
Affiliate services	\$ 535.8	\$ 367.6	\$ 83.2	\$ -	\$ 986.6
Other income	0.9	2.8	1.8	-	5.5
Total revenues	536.7	370.4	85.0	-	992.1
Costs and expenses					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	134.7	70.7	19.6	-	225.0
Depreciation expense	85.9	43.5	12.7	-	142.1
General and administrative expenses	7.4	3.5	0.8	6.5	18.2
Total operating costs and expenses	228.0	117.7	33.1	6.5	385.3
Income (loss) from operations	308.7	252.7	51.9	(6.5)	606.8
Income from equity investments	-	5.3	-	-	5.3
Interest expense, net	-	-	-	131.2	131.2
Income (loss) before income tax expense	308.7	258.0	51.9	(137.7)	480.9
Income tax expense	-	-	-	26.0	26.0
Net income (loss)	308.7	258.0	51.9	(163.7)	454.9
Less: Net income (loss) attributable to noncontrolling interest	240.0	200.7	40.4	(107.3)	373.8
Net income (loss) attributable to Hess Midstream LP	\$ 68.7	\$ 57.3	\$ 11.5	\$ (56.4)	\$ 81.1
Throughput volumes					
Gas gathering (MMcf/d)	373				373
Crude oil gathering (MBbl/d)	98				98
Gas processing (MMcf/d)		361			361
Crude oil terminaling (MBbl/d)			114		114
NGL loading (MBbl/d)			11		11
Water gathering (MBbl/d)	89				89

⁽¹⁾ Million cubic feet per day⁽²⁾ Thousand barrels per day

[Table of Contents](#)

For the Nine Months Ended September 30, 2022	Gathering	Processing and Storage	Terminaling and Export	Interest and Other	Consolidated Hess Midstream LP
Revenues					
Affiliate services	\$ 511.8	\$ 352.0	\$ 95.5	\$ -	\$ 959.3
Other income	-	-	1.3	-	1.3
Total revenues	511.8	352.0	96.8	-	960.6
Costs and expenses					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	127.7	66.6	19.6	-	213.9
Depreciation expense	79.4	43.3	12.2	-	134.9
General and administrative expenses	7.9	3.0	0.6	5.5	17.0
Total operating costs and expenses	215.0	112.9	32.4	5.5	365.8
Income (loss) from operations	296.8	239.1	64.4	(5.5)	594.8
Income from equity investments	-	4.2	-	-	4.2
Interest expense, net	-	-	-	108.6	108.6
Income (loss) before income tax expense	296.8	243.3	64.4	(114.1)	490.4
Income tax expense	-	-	-	19.6	19.6
Net Income (loss)	296.8	243.3	64.4	(133.7)	470.8
Less: Net income (loss) attributable to noncontrolling interest	247.3	202.7	53.7	(95.0)	408.7
Net income (loss) attributable to Hess Midstream LP	\$ 49.5	\$ 40.6	\$ 10.7	\$ (38.7)	\$ 62.1

Throughput volumes					
Gas gathering (MMcf/d)	335				335
Crude oil gathering (MBbl/d)	96				96
Gas processing (MMcf/d)		321			321
Crude oil terminaling (MBbl/d)			104		104
NGL loading (MBbl/d)			11		11
Water gathering (MBbl/d)	73				73

⁽¹⁾ Million cubic feet per day⁽²⁾ Thousand barrels per day**Gathering**

Revenues and other income increased \$24.9 million in the first nine months of 2023 compared to the first nine months of 2022, of which \$46.9 million is attributable to higher tariff rates, \$6.6 million is attributable to higher water gathering and disposal revenue, \$4.7 million is attributable to higher pass-through revenues and \$0.9 million is attributable to other income. Despite the overall higher gas gathering physical volumes in the first nine months of 2023, these revenue increases were partially offset by \$20.8 million as the higher gas gathering volumes were still below the MVC levels in the first nine months of 2022 in one of the sub-systems. In addition, while crude oil gathering physical volumes increased in the first nine months of 2023, they remained at or below MVCs resulting in a \$13.4 million decline in revenues due to the reduction in the MVC levels from the first nine months of 2022.

Operating and maintenance expenses increased \$7.0 million in the first nine months of 2023 compared to the first nine months of 2022, of which \$4.7 million is attributable to higher pass-through costs, including produced water trucking and disposal and electricity fees, \$2.9 million is primarily attributable to higher employee costs allocated to us under our omnibus and employee secondment agreements, \$2.0 million is attributable to higher maintenance activity and \$0.3 million is attributable to all other costs. The increase was partially offset by \$2.9 million attributable to the August 2022 produced water release remediation reserve. Depreciation expense increased \$6.5 million due to new compressors, produced water disposal facilities and other new gathering assets brought into service.

Processing and Storage

Revenues and other income increased \$18.4 million in the first nine months of 2023 compared to the first nine months of 2022, of which \$10.3 million is attributable to higher gas processing volumes where actual physical volumes were above MVC levels in the first nine months of 2023 and 2022, \$5.8 million is attributable to higher tariff rates and \$2.3 million is attributable to other income, including pass-through income.

Operating and maintenance expenses increased \$4.1 million, of which \$2.6 million is attributable to higher maintenance costs, \$1.0 million is attributable to higher third-party processing fees due to higher volumes processed at the LM4 plant and \$0.5 million is attributable to all other operating expenses.

Income from equity investments increased \$1.1 million in the first nine months of 2023 compared to the first nine months of 2022 primarily due to higher volumes processed at the LM4 plant.

Terminals and Export

Revenues and other income decreased \$11.8 million in the first nine months of 2023 compared to the first nine months of 2022. Although physical volumes were above MVCs in the first nine months of 2023, they remained below the MVC levels of the first nine months of 2022, resulting in a \$14.8 million decline in revenues. Additionally, \$7.7 million of the decrease is attributable to lower rail transportation pass-through revenues. These decreases were partially offset by \$10.7 million attributable to higher tariff rates and other income.

Operating and maintenance expenses in the Terminals and Export segment were flat in the first nine months of 2023 compared to the first nine months of 2022, as higher maintenance costs of \$6.6 million, including rail car inspection and recertification activities, and higher employee costs allocated to us under our omnibus and employee secondment agreements of \$1.1 million were offset by lower rail transportation pass-through costs.

Interest and Other

Interest expense, net of interest income, increased \$22.6 million in the first nine months of 2023 compared to the first nine months of 2022, of which \$16.6 million is primarily attributable to higher interest rates on our revolving credit facilities and higher borrowings on our revolving credit facility, and \$6.0 million is attributable to the \$400.0 million 5.50% fixed-rate senior notes issued in April 2022. Income tax expense increased \$6.4 million in the same period driven by increased ownership of the Partnership by Hess Midstream LP following equity offering and unit repurchase transactions in 2022 and 2023.

Other Factors Expected to Significantly Affect Our Future Results

We currently generate substantially all of our revenues under fee-based commercial agreements with Hess, including third parties contracted with affiliates of Hess. These contracts provide cash flow stability and minimize our direct exposure to commodity price fluctuations, since we generally do not own any of the crude oil, natural gas, or NGLs that we handle and do not engage in the trading of crude oil, natural gas, or NGLs. However, commodity price fluctuations indirectly influence our activities and results of operations over the long-term, since they can affect production rates and investments by Hess and third parties in the development of new crude oil and natural gas reserves. The markets for oil and natural gas are volatile and will likely continue to be volatile in the future. In the second quarter of 2020, as a result of the sharp decline in crude oil prices, Hess reduced its rig count from six rigs to one rig in the Bakken. In addition, third parties in the Bakken also curtailed production and reduced drilling activity. Our contract structure has largely offset and is expected to continue to offset potential impact of the reduction in volumes on our financial performance metrics through the Initial Term of our commercial agreements, as our minimum volume commitments provide minimum levels of cash flows and the fee recalculation mechanisms under our agreements support our cash flow stability. Subsequently, Hess increased its rig count in the Bakken to three operated rigs in September 2021 and to four operated rigs in July 2022. To the extent our plans include revenues for volumes above currently established MVC levels, such revenues could decline to the MVC levels as a result of market volatility. All of our volumes are expected to be approximately at or above MVC levels in 2023 on a full year basis, followed by growing volumes above currently established MVC levels in 2024 and 2025.

The throughput volumes at our facilities depend primarily on the volumes of crude oil and natural gas produced by Hess in the Bakken, which, in turn, is ultimately dependent on Hess' exploration and production margins. Exploration and production margins depend on the price of crude oil, natural gas, and NGLs. These prices are volatile and influenced by numerous factors beyond our or Hess' control, including the domestic and global supply of and demand for crude oil, natural gas and NGLs. During the first quarter of 2020, worldwide crude oil prices declined significantly due in part to reduced global demand stemming from the COVID-19 global pandemic. Sustained periods of low prices for oil and natural gas could materially and

[Table of Contents](#)

adversely affect the quantities of oil and natural gas that Hess can economically produce. The commodities trading markets, as well as global and regional supply and demand factors, may also influence the selling prices of crude oil, natural gas and NGLs.

The Secondary Term of our commercial agreements includes continuing MVCs while the fees change to a fixed fee structure based on the average fees paid by Hess during the last three years of the Initial Term of the commercial agreements adjusted annually for inflation up to 3% a year. Such a fee structure may provide less downside risk protection in the future. Furthermore, our ability to execute our growth strategy in the Bakken, including attracting third-party volumes, will depend on crude oil and natural gas production in that area, which is also affected by the supply of and demand for crude oil and natural gas.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Adjusted EBITDA and distributable cash flow to net income and net cash provided by operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reconciliation of Adjusted EBITDA and Distributable Cash Flow to net income:				
Net income	\$ 164.8	\$ 159.4	\$ 454.9	\$ 470.8
Plus:				
Depreciation expense	47.7	45.5	142.1	134.9
Proportional share of equity affiliates' depreciation	1.3	1.3	3.9	3.9
Interest expense, net	45.8	39.9	131.2	108.6
Income tax expense	11.4	7.5	26.0	19.6
Adjusted EBITDA	<u>\$ 271.0</u>	<u>\$ 253.6</u>	<u>\$ 758.1</u>	<u>\$ 737.8</u>
Less:				
Interest, net ⁽¹⁾	43.8	37.4	125.0	\$ 101.9
Maintenance capital expenditures	3.1	1.4	9.8	3.3
Distributable cash flow	<u>\$ 224.1</u>	<u>\$ 214.8</u>	<u>\$ 623.3</u>	<u>\$ 632.6</u>
Reconciliation of Adjusted EBITDA and Distributable Cash Flow to net cash provided by operating activities:				
Net cash provided by operating activities	\$ 215.5	\$ 234.7	\$ 618.8	\$ 638.5
Changes in assets and liabilities	12.2	(20.9)	14.3	(2.0)
Amortization of deferred financing costs	(2.1)	(2.4)	(6.3)	(6.6)
Proportional share of equity affiliates' depreciation	1.3	1.3	3.9	3.9
Interest expense, net	45.8	39.9	131.2	108.6
Distribution from equity investments	(3.4)	(1.4)	(7.8)	(7.5)
Earnings from equity investments	2.0	2.8	5.3	4.2
Other	(0.3)	(0.4)	(1.3)	(1.3)
Adjusted EBITDA	<u>\$ 271.0</u>	<u>\$ 253.6</u>	<u>\$ 758.1</u>	<u>\$ 737.8</u>
Less:				
Interest, net ⁽¹⁾	43.8	37.4	125.0	101.9
Maintenance capital expenditures	3.1	1.4	9.8	3.3
Distributable cash flow	<u>\$ 224.1</u>	<u>\$ 214.8</u>	<u>\$ 623.3</u>	<u>\$ 632.6</u>

(1) Excludes amortization of deferred financing costs.

Capital Resources and Liquidity

We expect our ongoing sources of liquidity to include:

- cash on hand;
- cash generated from operations;
- borrowings under our revolving credit facility;
- issuances of additional debt securities; and
- issuances of additional equity securities.

We believe that cash generated from these sources will be sufficient to meet our operating requirements, our planned short-term capital expenditures, debt service requirements, our quarterly cash distribution requirements, future internal growth projects or potential acquisitions. See Item 1A. *Risk Factors* for a discussion of risks related to the Chevron Merger.

Our partnership agreement requires that we distribute all of our available cash, as defined in the agreement, to our shareholders. On October 23, 2023, we declared a quarterly cash distribution of \$0.6175 per Class A Share, to be paid on November 14, 2023 to shareholders of record on November 2, 2023. Simultaneously, the Partnership will make a distribution of \$0.6175 per Class B Unit of the Partnership to the Sponsors.

Fixed-Rate Senior Notes

As of September 30, 2023, the Partnership had \$400.0 million aggregate principal amount of 5.500% fixed-rate senior unsecured notes due 2030 that were issued to qualified institutional investors. Interest is payable semi-annually on April 15 and October 15.

As of September 30, 2023, the Partnership had \$750.0 million aggregate principal amount of 4.250% fixed-rate senior unsecured notes due 2030 that were issued to qualified institutional investors. Interest is payable semi-annually on February 15 and August 15.

As of September 30, 2023, the Partnership also had \$550.0 million aggregate principal amount of 5.125% fixed-rate senior unsecured notes due 2028 that were issued to qualified institutional investors. Interest is payable semi-annually on June 15 and December 15.

In addition, as of September 30, 2023, the Partnership had \$800.0 million aggregate principal amount of 5.625% fixed-rate senior unsecured notes due 2026 that were issued to qualified institutional investors. Interest is payable semi-annually on February 15 and August 15.

The notes described above are guaranteed by certain subsidiaries of the Partnership. Each of the indentures for the senior notes described above contains customary covenants that restrict our ability and the ability of our restricted subsidiaries to (i) declare or pay any dividend or make any other restricted payments; (ii) transfer or sell assets or subsidiary stock; (iii) incur additional debt; or (iv) make restricted investments, unless, at the time of and immediately after giving pro forma effect to such restricted payments and any related incurrence of indebtedness or other transactions, no default has occurred and is continuing or would occur as a consequence of such restricted payment and if the leverage ratio does not exceed 4.25 to 1.00. As of September 30, 2023, we were in compliance with all debt covenants under the indentures.

In addition, the covenants included in the indentures governing the senior notes contain provisions that allow the Company to satisfy the Partnership's reporting obligations under the indenture, as long as any such financial information of the Company contains information reasonably sufficient to identify the material differences, if any, between the financial information of the Company, on the one hand, and the Partnership and its subsidiaries on a stand-alone basis, on the other hand and the Company does not directly own capital stock of any person other than the Partnership and its subsidiaries, or material business operations that would not be consolidated with the financial results of the Partnership and its subsidiaries. The Company is a holding company and has no independent assets or operations. Other than the interest in the Partnership and the effect of federal and state income taxes that are recognized at the Company level, there are no material differences between the consolidated financial statements of the Partnership and the consolidated financial statements of the Company.

Credit Facilities

As of September 30, 2023, the Partnership had \$1.4 billion senior secured credit facilities (the “Credit Facilities”) consisting of a \$1.0 billion 5-year revolving credit facility and a \$400.0 million 5-year Term Loan A facility. The Credit Facilities mature in July 2027. Facility fees accrue on the total capacity of the revolving credit facility. Borrowings under the 5-year Term Loan A facility generally bear interest at Secured Overnight Financing Rate (“SOFR”) plus the applicable margin ranging from 1.65% to 2.55%, while the applicable margin for the 5-year syndicated revolving credit facility ranges from 1.375% to 2.050%. Pricing levels for the facility fee and interest rate margins are based on the Partnership’s ratio of total debt to EBITDA (as defined in the Credit Facilities). If the Partnership obtains an investment grade credit rating, the pricing levels will be based on the Partnership’s credit ratings in effect from time to time. As of September 30, 2023, borrowings of \$276.0 million were drawn and outstanding under the Partnership’s revolving credit facility, and borrowings of \$400.0 million, excluding deferred issuance costs, were drawn and outstanding under the Partnership’s Term Loan A facility.

The Credit Facilities can be used for borrowings and letters of credit for general corporate purposes. The Credit Facilities are guaranteed by each direct and indirect wholly owned material domestic subsidiary of the Partnership, and are secured by first priority perfected liens on substantially all of the presently owned and after-acquired assets of the Partnership and its direct and indirect wholly owned material domestic subsidiaries, including equity interests directly owned by such entities, subject to certain customary exclusions. The Credit Facilities contain representations and warranties, affirmative and negative covenants and events of default that the Partnership considers to be customary for an agreement of this type, including a covenant that requires the Partnership to maintain a ratio of total debt to EBITDA (as defined in the Credit Facilities) for the prior four fiscal quarters of not greater than 5.00 to 1.00 as of the last day of each fiscal quarter (5.50 to 1.00 during the specified period following certain acquisitions) and, prior to the Partnership obtaining an investment grade credit rating, a ratio of secured debt to EBITDA for the prior four fiscal quarters of not greater than 4.00 to 1.00 as of the last day of each fiscal quarter. As of September 30, 2023, we were in compliance with these financial covenants.

Cash Flows

Operating Activities. Net cash provided by operating activities decreased \$19.7 million for the nine months ended September 30, 2023, compared to the same period in 2022. The change in operating cash flows resulted primarily from an increase in expenses, other than depreciation, amortization, equity-based compensation and other non-cash gains and losses of \$35.0 million, an increase in cash used by changes in working capital of \$16.2 million, partially offset by an increase in revenue and other income of \$31.5 million.

Investing Activities. Net cash used in investing activities decreased \$16.6 million for the nine months ended September 30, 2023, compared to the same period in 2022 driven by lower payments for additions to property, plant, and equipment.

Financing Activities. Net cash used in financing activities decreased \$2.9 million for the nine months ended September 30, 2023, compared to the same period in 2022. In the first nine months of 2023, we had lower net proceeds from bank borrowings of \$78.0 million, net of any changes in financing costs, higher distributions to shareholders and noncontrolling interest of \$18.9 million and spent \$99.8 million less for repurchases of Class B Units of the Partnership, including any associated transaction costs, compared to the same period in 2022.

Capital Expenditures

Our operations can be capital intensive, requiring investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational regulations. Our partnership agreement requires that we distinguish between maintenance capital expenditures and expansion capital expenditures. Maintenance capital expenditures are capital expenditures made to maintain, over the long term, our operating capacity, operating income or revenue. Examples of maintenance capital expenditures are expenditures to repair, refurbish or replace existing assets, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations. In contrast, expansion capital expenditures are expenditures incurred for acquisitions or capital improvements that we expect will increase our operating capacity, operating income or revenue over the long term. Examples of expansion capital expenditures include the acquisition of equipment, construction, development or acquisition of additional capacity, or expenditures for connecting additional wells to our gathering systems, to the extent such capital expenditures are expected to expand our long-term operating capacity, operating income or revenue.

The following table sets forth a summary of maintenance and expansion capital expenditures and reconciles capital expenditures on an accrual basis to additions to property, plant and equipment on a cash basis:

	Nine Months Ended September 30,	
	2023	2022
(in millions)		
Expansion capital expenditures	\$ 164.1	\$ 166.1
Maintenance capital expenditures	9.8	3.3
Total capital expenditures	173.9	169.4
(Increase) decrease in accrued capital expenditures	(4.8)	6.3
(Increase) decrease in capital expenditures included in accounts payable - affiliate	(9.1)	0.9
Additions to property, plant and equipment	<u>\$ 160.0</u>	<u>\$ 176.6</u>

Capital expenditures in 2023 are primarily attributable to continued expansion of our compression capacity and gas capture capabilities to meet Hess' and third parties' current and future production growth and gas capture targets. The activities focus on the construction of two new compressor stations and associated pipeline infrastructure, which are expected to be placed in service later in 2023 and provide, in aggregate, an additional 100 MMcf/d of gas compression capacity when brought online. Capital expenditures in 2022 were also attributable to continued expansion of our compression capacity.

Cautionary Note Regarding Forward-looking Information

This Quarterly Report on Form 10-Q, including information incorporated by reference herein, contains “forward-looking statements” within the meaning of U.S. federal securities laws. Words such as “anticipate,” “estimate,” “expect,” “forecast,” “guidance,” “could,” “may,” “should,” “would,” “believe,” “intend,” “project,” “plan,” “predict,” “will,” “target” and similar expressions identify forward-looking statements, which are not historical in nature. Our forward-looking statements may include, without limitation: our future financial and operational results; our business strategy; our industry; our expected revenues; our future profitability; our maintenance or expansion projects; our projected budget and capital expenditures and the impact of such expenditures on our performance; future economic and market conditions in the oil and gas industry; and expected timing and completion of the Chevron Merger.

Forward-looking statements are based on our current understanding, assessments, estimates and projections of relevant factors and reasonable assumptions about the future. Forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations of future results expressed or implied by these forward-looking statements. The following important factors could cause actual results to differ materially from those in our forward-looking statements:

- the ability of Hess and other parties to satisfy their obligations to us, including Hess’ ability to meet its drilling and development plans on a timely basis or at all, its ability to deliver its nominated volumes to us, and the operation of joint ventures that we may not control;
- our ability to generate sufficient cash flow to pay current and expected levels of distributions;
- reductions in the volumes of crude oil, natural gas, NGLs and produced water we gather, process, terminal or store;
- the actual volumes we gather, process, terminal and store for Hess in excess of our MVCs and relative to Hess' nominations;
- fluctuations in the prices and demand for crude oil, natural gas and NGLs;
- changes in global economic conditions and the effects of a global economic downturn or inflation on our business and the business of our suppliers, customers, business partners and lenders;
- the direct and indirect effects of an epidemic or outbreak of an infectious disease, such as COVID-19 and its variants, on our business and those of our business partners, suppliers and customers, including Hess;
- our ability to comply with government regulations or make capital expenditures required to maintain compliance, including our ability to obtain or maintain permits necessary for capital projects in a timely manner, if at all, or the revocation or modification of existing permits;
- our ability to successfully identify, evaluate and timely execute our capital projects, investment opportunities and growth strategies, whether through organic growth or acquisitions;
- costs or liabilities associated with federal, state and local laws, regulations and governmental actions applicable to our business, including legislation and regulatory initiatives relating to environmental protection and health and safety, such as spills, releases, pipeline integrity and measures to limit greenhouse gas emissions and climate change;
- our ability to comply with the terms of our credit facility, indebtedness and other financing arrangements, which, if accelerated, we may not be able to repay;
- reduced demand for our midstream services, including the impact of weather or the availability of the competing third-party midstream gathering, processing and transportation operations;
- potential disruption or interruption of our business due to catastrophic events, such as accidents, severe weather events, labor disputes, information technology failures, constraints or disruptions and cyber-attacks;
- any limitations on our ability to access debt or capital markets on terms that we deem acceptable, including as a result of weakness in the oil and gas industry or negative outcomes within commodity and financial markets;
- liability resulting from litigation;
- risks and uncertainties associated with the Chevron Merger, including the following:
 - o the risk that regulatory approvals are not obtained or are obtained subject to conditions that are not anticipated by Chevron and Hess;
 - o potential delays in consummating the potential transaction, including as a result of regulatory approvals;
 - o Chevron’s ability to integrate Hess’ operations in a successful manner and in the expected time period;
 - o the possibility that any of the anticipated benefits and projected synergies of the potential transaction will not be realized or will not be realized within the expected time period;
 - o the occurrence of any event, change or other circumstance that could give rise to the termination of the Chevron Merger Agreement;

- o risks that the anticipated tax treatment of the potential transaction is not obtained, or other unforeseen or unknown liabilities;
 - o customer, shareholder, regulatory and other stakeholder approvals and support, or unexpected future capital expenditures;
 - o potential litigation relating to the potential transaction that could be instituted against Chevron and Hess or their respective directors, and the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
 - o the effect of the announcement, pendency or completion of the potential transaction on the parties' business relationships and business generally, and the risks that the potential transaction disrupts current plans and operations of Chevron or Hess and potential difficulties in Hess employee retention as a result of the transaction, as well as the risk of disruption of Chevron's or Hess' management and business disruption during the pendency of, or following, the potential transaction;
 - o the receipt of required Chevron board of directors' authorizations to implement capital allocation strategies, including future dividend payments, and uncertainties as to whether the potential transaction will be consummated on the anticipated timing or at all, or if consummated, will achieve its anticipated economic benefits, including as a result of risks associated with third-party contracts containing material consent, anti-assignment, transfer, other provisions that may be related to the potential transaction which are not waived or otherwise satisfactorily resolved or changes in commodity prices;
 - o negative effects of the announcement of the transaction, and the pendency or completion of the proposed acquisition on the market price of Chevron's or Hess' common stock and/or operating results;
 - o rating agency actions and Chevron's and Hess' ability to access short- and long-term debt markets on a timely and affordable basis; and
- other factors described in the section entitled "Risk Factors" in this Quarterly Report on Form 10-Q and in Item 1A.Risk Factors in our Annual Report on Form 10-K, as well as any additional risks described in our other filings with the Securities and Exchange Commission.

As and when made, we believe that our forward-looking statements are reasonable. However, given these risks and uncertainties, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur and actual results may differ materially from those contained in any forward-looking statement we make. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. We generally do not take ownership of the crude oil, natural gas or NGLs that we currently gather, process, terminal, store or transport for our customers. Because we generate substantially all of our revenues by charging fees under long-term commercial agreements with Hess with minimum volume commitments, Hess bears the risks associated with fluctuating commodity prices and we have minimal direct exposure to commodity prices.

In the normal course of our business, we are exposed to market risks related to changes in interest rates. Our financial risk management activities may include transactions designed to reduce risk by reducing our exposure to interest rate movements. Interest rate swaps may be used to convert interest payments on certain long-term debt. At September 30, 2023, we did not have in place any derivative instruments to hedge any exposure to changes in interest rates.

At September 30, 2023, our total debt had a carrying value of \$3,148.3 million and a fair value of approximately \$2,954.5 million, based on Level 2 inputs in the fair value measurement hierarchy. A 15% increase or decrease in interest rates would decrease or increase the fair value of our fixed rate debt by approximately \$96.1 million or \$102.5 million, respectively. The carrying value of the amounts under our Term Loan A facility and revolving credit facility at the quarter-end approximated their fair value. Any changes in interest rates do not impact cash outflows associated with fixed rate interest payments or settlement of debt principal, unless a debt instrument is repurchased prior to maturity. Our exposure to market risk related to changes in interest rates has not materially changed from what we previously disclosed in our 2022 Annual Report.

Item 4. Controls and Procedures

Based upon their evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2023, John B. Hess, Chief Executive Officer, and Jonathan C. Stein, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of September 30, 2023.

There was no change in internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, in the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Item 1. Legal Proceedings

Information regarding legal proceedings is contained in Note 10, *Commitments and Contingencies* in the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 1A. Risk Factors

Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 includes certain risk factors that could materially affect our business, financial condition, or future results. Those risk factors have not materially changed, other than as disclosed below:

Hess recently announced its entry into the Chevron Merger Agreement. If the Chevron Merger is completed, Chevron will own and control Hess. Chevron's ownership of Hess may result in conflicts of interest.

Following the completion of the Chevron Merger, the directors and officers of our general partner will have duties to manage our general partner in the best interest of its owner, Hess Infrastructure Partners GP LLC ("HIP GP LLC"), which has the right to nominate individuals to serve on the Company's board of directors. Upon consummation of the Chevron Merger, Chevron will acquire Hess' 50% ownership in HIP GP LLC, including its right to appoint four directors to serve on the Company's board of directors, in addition to Hess' 37.8% ownership in the Company. At the same time, our general partner will have duties to manage us in a manner that is beneficial to our shareholders. Therefore, following the completion of the Chevron Merger, our general partner's duties to us may conflict with the duties of certain of its officers and directors to Chevron in the future. As a result of these conflicts of interest following the Chevron Merger, our general partner may favor its own interest or the interests of Chevron, GIP or its or their respective owners or affiliates over the interest of our shareholders.

Furthermore, for the years ended December 31, 2022, 2021 and 2020, substantially all of our revenues were attributable to our fee-based commercial agreements with Hess, including revenues from third-party volumes delivered under these agreements. Following the completion of the Chevron Merger, our future prospects will depend upon Chevron's business strategy for Hess. Additional conflicts may also arise in the future following the Chevron Merger associated with (1) the allocation of capital and the allocation of costs between Chevron and us, (2) the relationship between Chevron and GIP and their respective affiliates, (3) the amount of time devoted by the officers and directors of Chevron to its business in relation to us and (4) future business opportunities that are pursued by Chevron, GIP and us.

We will be subject to business uncertainties while the Chevron Merger is pending, which could adversely affect our businesses.

Uncertainty about the effect of the Chevron Merger on employees and customers may have an adverse effect on us. These uncertainties may impair Hess' ability to attract, retain and motivate key personnel involved in our operations until the Chevron Merger is completed and for a period of time thereafter and could cause customers and others that deal with us to seek to change their existing business relationships with us. We have entered into an employee secondment agreement with Hess and certain of its subsidiaries pursuant to which Hess and its subsidiaries make available the services of their employees in exchange for a fee. Employee retention at Hess may be challenging during the pendency of the Chevron Merger, as employees may experience uncertainty about their roles, which may impact services to us under the employee secondment agreement. In addition, the Chevron Merger Agreement restricts Hess from entering into certain corporate transactions, entering into certain material contracts, making certain changes to its capital budget, incurring certain indebtedness and taking other specified actions without the consent of Chevron, and generally requires Hess to continue its operations in the ordinary course of business during the pendency of the Chevron Merger. These restrictions may impact Hess' decisions in its capacity as a 50% owner of our general partner, which may prevent us from pursuing attractive business opportunities or adjusting our capital plan prior to the completion of the Chevron Merger.

Hess may be subject to lawsuits relating to the Chevron Merger, which, because we are substantially dependent on Hess as our primary customer and the 50% owner of our general partner, could adversely affect our business, financial condition and operating results.

Hess, Chevron and/or their respective directors and officers, including certain of Hess' officers that serve as members of our board of directors, may be subject to lawsuits relating to the Chevron Merger. Such litigation is common in connection with acquisitions of public companies, regardless of any merits related to the underlying acquisition. While Hess will evaluate and defend against any actions vigorously, the costs of the defense of such lawsuits and other effects of such litigation could, because we are substantially dependent on Hess as our primary customer and 50% owner of our general partner, have an adverse effect on our business, financial condition and operating results.

Completion of the Chevron Merger is subject to a number of conditions, and if these conditions are not satisfied or waived, the Chevron Merger will not be completed. Failure to complete, or significant delays in completing, the Chevron Merger could negatively affect the trading prices of our Class A Shares and our future business and financial results.

Completion of the Chevron Merger is subject to satisfaction or waiver of certain closing conditions, including (i) the receipt of the required approval from Hess' shareholders, (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the Chevron Merger, (iii) the absence of any order or law prohibiting consummation of the Chevron Merger, (iv) the effectiveness of the Registration Statement on Form S-4 to be filed by Chevron pursuant to which the shares of Chevron common stock to be issued in connection with the Chevron Merger will be registered with the U.S. Securities and Exchange Commission and (v) the authorization for listing on the New York Stock Exchange of the shares of Chevron common stock to be issued in connection with the Chevron Merger. The obligation of each party to consummate the Chevron Merger is also conditioned upon the other party having performed in all material respects its obligations under the Chevron Merger Agreement and the other party's representations and warranties in the Chevron Merger Agreement being true and correct (subject to certain materiality qualifiers). The obligation of Hess to consummate the merger is also subject to the receipt of a tax opinion from legal counsel that the Chevron Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. There can be no assurance that the conditions to the completion of the Chevron Merger will be satisfied or waived or that the Chevron Merger will be completed.

If the Chevron Merger is not completed, or if there are significant delays in completing the Chevron Merger, the trading prices of our Class A Shares and our future business and financial results could be negatively affected, and we may be subject to several risks, including the following:

- negative reactions from the financial markets, including declines in the prices of our Class A Shares due to the fact that current prices may reflect a market assumption that the Chevron Merger will be completed; and
- the attention of Hess' management, including certain of Hess' officers that serve as members of our board of directors, will have been diverted to the Chevron Merger rather than Hess' operations and pursuit of other opportunities that could have been beneficial to Hess and to us.

Item 5. Other Information

During the three months ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

[Table of Contents](#)

Item 6. Exhibits

Exhibits

10.1	Unit Repurchase Agreement, dated as of September 19, 2023, by and among Hess Midstream LP, Hess Midstream Operations LP, Hess Investments North Dakota LLC and GIP II Blue Holding, L.P. (incorporated by reference herein to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 22, 2023)
31.1	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
31.2	Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
32.1*	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
32.2*	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
101(INS)	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101(SCH)	Inline XBRL Taxonomy Extension Schema Document
101(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101(LAB)	Inline XBRL Taxonomy Extension Labels Linkbase Document
101(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith

SIGNATURES

[Table of Contents](#)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HESS MIDSTREAM LP (Registrant)

By: HESS MIDSTREAM GP LP, its General Partner

By: HESS MIDSTREAM GP LLC, its General Partner

By /s/ John B. Hess

John B. Hess

Chairman of the Board of Directors and Chief Executive Officer

By /s/ Jonathan C. Stein

Jonathan C. Stein

Chief Financial Officer

Date: November 2, 2023

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Midstream LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By /s/ John B. Hess
John B. Hess
Chairman of the Board of Directors and
Chief Executive Officer
HESS MIDSTREAM GP LP, its General Partner
HESS MIDSTREAM GP LLC, its General Partner

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan C. Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Midstream LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By /s/ Jonathan C. Stein
Jonathan C. Stein
Chief Financial Officer
HESS MIDSTREAM GP LP, its General Partner
HESS MIDSTREAM GP LLC, its General Partner

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Midstream LP (the "Partnership") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Hess, Chairman of the Board of Directors and Chief Executive Officer of Hess Midstream GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 2, 2023

By /s/ John B. Hess
John B. Hess
Chairman of the Board of Directors and Chief
Executive Officer
HESS MIDSTREAM GP LP, its General Partner
HESS MIDSTREAM GP LLC, its General Partner

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Midstream LP (the "Partnership") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan C. Stein, Chief Financial Officer of Hess Midstream GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 2, 2023

By /s/ Jonathan C. Stein
Jonathan C. Stein
Chief Financial Officer
HESS MIDSTREAM GP LP, its General Partner
HESS MIDSTREAM GP LLC, its General Partner

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.
