

Rover Pipeline LLC

Docket No. CP15-93-000

Construction Financing Profile and
Pro Forma Financial Statements

Rover Pipeline LLC

Financing Preliminary Statement

Rover Pipeline LLC ("Rover") is a Delaware limited liability company which is indirectly owned sixty-five percent (65%) by ET Rover Pipeline LLC, an affiliate of Energy Transfer Partners, L.P., twenty percent (20%) by AE-Midco Rover, LLC, and fifteen percent (15%) by AE-Midco Rover II, LLC, both affiliates of American Energy Partners, LP. Rover was formed to construct, own operate, and maintain a new natural gas interstate pipeline which originates near Sherwood, in Doddridge County, West Virginia, which will provide firm capacity necessary to transport natural gas supplies from the Marcellus and Utica Shale areas in Pennsylvania, West Virginia, and Ohio to major pipeline interconnections along its route to its terminus at a point of interconnection with Vector Pipeline, LP ("Vector") system in Livingston County, Michigan. It will create new takeaway capacity from the Marcellus Shale plays to either directly or indirectly connected market areas in the Midwest, Gulf Coast and Canada.

Financing Plan

The financing plan presented reflects the construction of a new pipeline system with a capacity of 3,250,000 Dth/day. It is assumed for the purposes of the financial exhibits that the capital structure of the project will consist of fifty percent (50%) debt, with an interest rate of 6.50 percent (6.50%), and fifty percent (50%) equity. The proposed rate of return on equity is thirteen percent (13.00%), and is based on, among other considerations, the financial and project risks associated with the construction and operation of the proposed facilities.

The overall AFUDC rate is equal to 9.75 percent (9.75%), and is based on the anticipated capital structure and projected costs of debt and equity capital. A debt repayment schedule is assumed so that Rover will maintain a capitalization structure of fifty percent (50%) debt and fifty percent (50%) equity.

Equity financing will be through contributions of sixty-five percent (65%) by Energy Transfer Partners, L.P., and thirty-five percent (35%) by American Energy Partners, LP.

Supporting Schedules

The following schedules for the first three years of operation following full in-service of Rover's facilities are provided in support of this filing:

- Schedule 1 - Proposed Financing Profile and Debt Repayment Schedule
- Schedule 2 - Statement of Cash Flows
- Schedule 3 - Statement of Income and Expenses
- Schedule 4 - Balance Sheet (End of Year)

For the purposes of the financial schedules, it is assumed that current income taxes are paid out at each year end.

Rover Pipeline LLC

Proposed Financing Profile and Debt Repayment Schedule
 (\$000)

Financing Profile

Line No.	Description (a)	Amount (b)
1	Total Funds Required	\$ 4,082,221
2	Debt Financing During Construction	\$ 2,041,111
3	Date Financing in Place	Uncertain
4	Interest Rate During Construction	6.50%
5	Interest Rate During Operation	6.50%

Line No.	Year (a)	Principal Annual Beginning Balance (b)	Annual Principal Payment (c)	Annual Interest Payment (d)	End of Year Principal Balance (e)
6	One	\$ 2,041,111	\$ 70,785	\$ 132,672	\$ 1,970,326
7	Two	1,970,326	106,485	128,071	1,863,841
8	Three	1,863,841	98,953	121,150	1,764,888

Rover Pipeline LLC

Pro Forma Statement of Cash Flow
 First Three Years of Operation
 (\$000)

Line No.	Description (a)	Construction Amount (b)	First Year Amount (c)	Second Year Amount (d)	Third Year Amount (e)
1	Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -
	<u>Funds Provided</u>				
2	Net Income		92,209	98,492	106,070
3	Depreciation		101,922	101,922	101,922
4	Deferred Taxes		39,648	111,014	95,947
5	Construction Financing	2,041,111	-	-	-
6	Long-Term Debt	2,041,111	-	-	-
7	Equity Contribution	2,041,110	-	-	-
8	Total Funds Provided	<u>\$ 6,123,332</u>	<u>\$ 233,779</u>	<u>\$ 311,428</u>	<u>\$ 303,939</u>
	<u>Funds Applied</u>				
9	Debt Repayment	\$ -	\$ 70,785	\$ 106,485	\$ 98,953
10	Repayment of Construction Debt	2,041,111	-	-	-
11	Capital Expenditures	4,082,221	-	-	-
12	Total Funds Applied Before Dividends	6,123,332	70,785	106,485	98,953
13	(Contribution) Distribution	-	162,993	204,943	204,986
14	Total Funds Applied	<u>\$ 6,123,332</u>	<u>\$ 233,779</u>	<u>\$ 311,428</u>	<u>\$ 303,939</u>
15	Ending Cash Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Rover Pipeline LLC

Pro Forma Statement of Income and Expenses
 First Three Years of Operation
 (\$000)

Line No.	Description (a)	First Year Amount (b)	Second Year Amount (c)	Third Year Amount (d)
1	Operating Revenue	\$ 743,634	\$ 743,634	\$ 743,634
	<u>Operating Expenses/Ad Valorem Taxes</u>			
2	Operation & Maintenance Expense	152,535	152,989	153,457
3	Depreciation Expense	101,922	101,922	101,922
4	Other Taxes	202,414	196,277	190,328
5	Total Operating Expenses/Ad Valorem Taxes	<u>\$ 456,871</u>	<u>\$ 451,188</u>	<u>\$ 445,707</u>
6	Operating Income Before Interest Charges	\$ 286,763	\$ 292,446	\$ 297,927
7	Interest Expense	132,672	128,071	121,150
8	Income Before Income Taxes	<u>154,091</u>	<u>164,375</u>	<u>176,777</u>
9	Provision for Income Taxes	61,882	65,883	70,707
10	Net Income	<u><u>\$ 92,209</u></u>	<u><u>\$ 98,492</u></u>	<u><u>\$ 106,070</u></u>
	Income Tax Provision Calculation:			
11	Income Before Income Taxes	\$ 154,091	\$ 164,375	\$ 176,777
12	State Income Tax Rate (Composite)	6.00%	6.00%	6.00%
13	State Income Taxes	<u>\$ 9,245</u>	<u>\$ 9,863</u>	<u>\$ 10,607</u>
14	Adjusted Income Before Income Taxes	\$ 154,091	\$ 164,375	\$ 176,777
15	Add: Equity AFUDC Amortization	5,544	5,544	5,544
16	Less: State Income Taxes	9,245	9,863	10,607
17	Adjusted Income Before Federal Income Taxes	<u>150,390</u>	<u>160,056</u>	<u>171,714</u>
18	Federal Income Tax Rate	35.00%	35.00%	35.00%
19	Federal Income Taxes	<u>\$ 52,637</u>	<u>\$ 56,020</u>	<u>\$ 60,100</u>
20	Total Income Taxes	<u><u>\$ 61,882</u></u>	<u><u>\$ 65,883</u></u>	<u><u>\$ 70,707</u></u>
21	Composite Tax Rate	38.77%	38.77%	38.78%
22	Tax Depreciation Rate	5.00%	9.50%	8.55%
23	Accelerated Depreciation	\$ 203,844	\$ 387,304	\$ 348,573
24	Deferred Taxes	\$ 39,648	\$ 111,014	\$ 95,947

Rover Pipeline LLC

Pro Forma Balance Sheet (End of Year)
 First Three Years of Operation
 (\$000)

Line No.	Description (a)	Construction Amount (b)	First Year Amount (c)	Second Year Amount (d)	Third Year Amount (e)
	<u>Assets and Other Debits</u>				
1	Gross Plant	\$ -	\$ 4,082,221	\$ 4,082,221	\$ 4,082,221
2	Construction Work in Progress	4,082,221	-	-	-
3	Less: Accumulated Depreciation	-	101,922	203,879	305,836
4	Net Gas Plant	<u>4,082,221</u>	<u>3,980,299</u>	<u>3,878,342</u>	<u>3,776,385</u>
5	Total Assets	<u>\$ 4,082,221</u>	<u>\$ 3,980,299</u>	<u>\$ 3,878,342</u>	<u>\$ 3,776,385</u>
	<u>Long-Term Liabilities and Equity</u>				
6	Long-Term Debt	\$ 2,041,111	\$ 1,970,326	\$ 1,863,841	\$ 1,764,888
7	Accumulated Deferred Income Taxes	-	39,648	150,661	246,608
8	Equity	<u>2,041,111</u>	<u>1,970,326</u>	<u>1,863,841</u>	<u>1,764,888</u>
9	Total Long-Term Liabilities and Equity	<u>\$ 4,082,222</u>	<u>\$ 3,980,300</u>	<u>\$ 3,878,343</u>	<u>\$ 3,776,384</u>
10	Debt / Equity Ratio	50.00%	50.00%	50.00%	50.00%
	<u>Equity Reconciliation</u>				
11	Beginning Equity	\$ -	\$ 2,041,111	\$ 1,970,326	\$ 1,863,841
12	Contribution	2,041,111	-	-	-
13	Net Income	-	92,209	98,492	106,070
14	(Distribution) Contribution	-	(162,994)	(204,977)	(205,023)
15	Ending Equity	<u>\$ 2,041,111</u>	<u>\$ 1,970,326</u>	<u>\$ 1,863,841</u>	<u>\$ 1,764,888</u>