

**Rover Pipeline LLC**

Docket No. CP15-\_\_\_\_-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 in 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  
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**Financing Profile**

| Line<br>No. | Description<br>(a)                 | Amount<br>(b) |
|-------------|------------------------------------|---------------|
| 1           | Total Funds Required               | \$ 4,215,895  |
| 2           | Debt Financing During Construction | \$ 2,107,948  |
| 3           | Date Financing in Place            | Uncertain     |
| 4           | Interest Rate During Construction  | 6.50%         |
| 5           | Interest Rate During Operation     | 6.50%         |

| Line<br>No. | Year<br>(a) | Principal Annual<br>Beginning Balance<br>(b) | Annual Principal<br>Payment<br>(c) | Annual Interest<br>Payment<br>(d) | End of Year<br>Principal Balance<br>(e) |
|-------------|-------------|--|------------------------------------|-----------------------------------|---|
| 6           | One         | \$ 2,107,948                                 | \$ 73,106                          | \$ 137,017                        | \$ 2,034,842                            |
| 7           | Two         | 2,034,842                                    | 109,976                            | 132,265                           | 1,924,866                               |
| 8           | Three       | 1,924,866                                    | 102,196                            | 125,116                           | 1,822,670                               |

**Rover Pipeline LLC**

*Pro Forma* Statement of Cash Flow  
 First Three Years of Operation  
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| Line<br>No. | Description<br>(a)                   | Construction<br>Amount<br>(b) | First Year<br>Amount<br>(c) | Second Year<br>Amount<br>(d) | Third Year<br>Amount<br>(e) |
|-------------|--------------------------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------|
| 1           | Beginning Cash Balance               | \$ -                          | \$ -                        | \$ -                         | \$ -                        |
|             | <u>Funds Provided</u>                |                               |                             |                              |                             |
| 2           | Net Income                           |                               | 83,322                      | 89,933                       | 97,885                      |
| 3           | Depreciation                         |                               | 105,264                     | 105,264                      | 105,264                     |
| 4           | Deferred Taxes                       |                               | 40,948                      | 114,653                      | 99,093                      |
| 5           | Construction Financing               | 2,107,948                     | -                           | -                            | -                           |
| 6           | Long-Term Debt                       | 2,107,948                     | -                           | -                            | -                           |
| 7           | Equity Contribution                  | 2,107,947                     | -                           | -                            | -                           |
| 8           | Total Funds Provided                 | <u>\$ 6,323,843</u>           | <u>\$ 229,534</u>           | <u>\$ 309,850</u>            | <u>\$ 302,242</u>           |
|             | <u>Funds Applied</u>                 |                               |                             |                              |                             |
| 9           | Debt Repayment                       | \$ -                          | \$ 73,106                   | \$ 109,976                   | \$ 102,196                  |
| 10          | Repayment of Construction Debt       | 2,107,948                     | -                           | -                            | -                           |
| 11          | Capital Expenditures                 | 4,215,895                     | -                           | -                            | -                           |
| 12          | Total Funds Applied Before Dividends | 6,323,843                     | 73,106                      | 109,976                      | 102,196                     |
| 13          | (Contribution) Distribution          | -                             | 156,427                     | 199,874                      | 200,046                     |
| 14          | Total Funds Applied                  | <u>\$ 6,323,843</u>           | <u>\$ 229,534</u>           | <u>\$ 309,850</u>            | <u>\$ 302,242</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<br>(a)                          | First Year<br>Amount<br>(b) | Second Year<br>Amount<br>(c) | Third Year<br>Amount<br>(d) |
|----------|---|-----------------------------|------------------------------|-----------------------------|
| 1        | Operating Revenue                           | \$ 743,634                  | \$ 743,634                   | \$ 743,634                  |
|          | <u>Operating Expenses/Ad Valorem Taxes</u>  |                             |                              |                             |
| 2        | Operation & Maintenance Expense             | 150,515                     | 150,818                      | 151,127                     |
| 3        | Depreciation Expense                        | 105,264                     | 105,264                      | 105,264                     |
| 4        | Other Taxes                                 | 210,013                     | 203,643                      | 197,469                     |
| 5        | Total Operating Expenses/Ad Valorem Taxes   | <u>\$ 465,792</u>           | <u>\$ 459,725</u>            | <u>\$ 453,860</u>           |
| 6        | Operating Income Before Interest Charges    | \$ 277,842                  | \$ 283,909                   | \$ 289,774                  |
| 7        | Interest Expense                            | 137,017                     | 132,265                      | 125,116                     |
| 8        | Income Before Income Taxes                  | <u>140,825</u>              | <u>151,644</u>               | <u>164,658</u>              |
| 9        | Provision for Income Taxes                  | 57,503                      | 61,711                       | 66,773                      |
| 10       | Net Income                                  | <u><u>\$ 83,322</u></u>     | <u><u>\$ 89,933</u></u>      | <u><u>\$ 97,885</u></u>     |
|          | Income Tax Provision Calculation:           |                             |                              |                             |
| 11       | Income Before Income Taxes                  | \$ 140,825                  | \$ 151,644                   | \$ 164,658                  |
| 12       | State Income Tax Rate (Composite)           | 6.00%                       | 6.00%                        | 6.00%                       |
| 13       | State Income Taxes                          | <u>\$ 8,450</u>             | <u>\$ 9,099</u>              | <u>\$ 9,879</u>             |
| 14       | Adjusted Income Before Income Taxes         | \$ 140,825                  | \$ 151,644                   | \$ 164,658                  |
| 15       | Add: Equity AFUDC Amortization              | 7,776                       | 7,776                        | 7,776                       |
| 16       | Less: State Income Taxes                    | 8,450                       | 9,099                        | 9,879                       |
| 17       | Adjusted Income Before Federal Income Taxes | <u>140,151</u>              | <u>150,321</u>               | <u>162,555</u>              |
| 18       | Federal Income Tax Rate                     | 35.00%                      | 35.00%                       | 35.00%                      |
| 19       | Federal Income Taxes                        | <u>\$ 49,053</u>            | <u>\$ 52,612</u>             | <u>\$ 56,894</u>            |
| 20       | Total Income Taxes                          | <u><u>\$ 57,503</u></u>     | <u><u>\$ 61,711</u></u>      | <u><u>\$ 66,773</u></u>     |
| 21       | Composite Tax Rate                          | 38.71%                      | 38.71%                       | 38.72%                      |
| 22       | Tax Depreciation Rate                       | 5.00%                       | 9.50%                        | 8.55%                       |
| 23       | Accelerated Depreciation                    | \$ 210,528                  | \$ 400,003                   | \$ 360,003                  |
| 24       | Deferred Taxes                              | \$ 40,948                   | \$ 114,653                   | \$ 99,093                   |

**Rover Pipeline LLC**

*Pro Forma* Balance Sheet (End of Year)  
 First Three Years of Operation  
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| Line<br>No. | Description<br>(a)                      | Construction<br>Amount<br>(b) | First Year<br>Amount<br>(c) | Second Year<br>Amount<br>(d) | Third Year<br>Amount<br>(e) |
|-------------|---|-------------------------------|-----------------------------|------------------------------|-----------------------------|
|             | <u>Assets and Other Debits</u>          |                               |                             |                              |                             |
| 1           | Gross Plant                             | \$ -                          | \$ 4,215,895                | \$ 4,215,895                 | \$ 4,215,895                |
| 2           | Construction Work in Progress           | 4,215,895                     | -                           | -                            | -                           |
| 3           | Less: Accumulated Depreciation          | -                             | 105,264                     | 210,563                      | 315,861                     |
| 4           | Net Gas Plant                           | <u>4,215,895</u>              | <u>4,110,631</u>            | <u>4,005,332</u>             | <u>3,900,034</u>            |
| 5           | Total Assets                            | <u>\$ 4,215,895</u>           | <u>\$ 4,110,631</u>         | <u>\$ 4,005,332</u>          | <u>\$ 3,900,034</u>         |
|             | <u>Long-Term Liabilities and Equity</u> |                               |                             |                              |                             |
| 6           | Long-Term Debt                          | \$ 2,107,948                  | \$ 2,034,842                | \$ 1,924,866                 | \$ 1,822,670                |
| 7           | Accumulated Deferred Income Taxes       | -                             | 40,948                      | 155,601                      | 254,695                     |
| 8           | Equity                                  | <u>2,107,948</u>              | <u>2,034,842</u>            | <u>1,924,866</u>             | <u>1,822,670</u>            |
| 9           | Total Long-Term Liabilities and Equity  | <u>\$ 4,215,896</u>           | <u>\$ 4,110,632</u>         | <u>\$ 4,005,333</u>          | <u>\$ 3,900,035</u>         |
| 10          | Debt / Equity Ratio                     | 50.00%                        | 50.00%                      | 50.00%                       | 50.00%                      |
|             | <u>Equity Reconciliation</u>            |                               |                             |                              |                             |
| 11          | Beginning Equity                        | \$ -                          | \$ 2,107,948                | \$ 2,034,842                 | \$ 1,924,866                |
| 12          | Contribution                            | 2,107,948                     | -                           | -                            | -                           |
| 13          | Net Income                              | -                             | 83,322                      | 89,933                       | 97,885                      |
| 14          | (Distribution) Contribution             | -                             | (156,428)                   | (199,909)                    | (200,081)                   |
| 15          | Ending Equity                           | <u>\$ 2,107,948</u>           | <u>\$ 2,034,842</u>         | <u>\$ 1,924,866</u>          | <u>\$ 1,822,670</u>         |