Rover Pipeline LLC

Explanatory Note

This Exhibit P contains the following 2 parts: (i) Rover Pipeline LLC ("Rover") derivation of its cost of service and recourse rates based on 3,250,000,000 Dt/Day of mainline capacity; and (ii) Rover's *pro forma* FERC NGA Gas Tariff ("Tariff").

During its open season for the Project, Rover offered prospective shippers the option of receiving service at either recourse rates or negotiated rates. The firm shippers that, to date, have entered into Precedent Agreements with Rover have all elected to receive service at negotiated rates. The negotiated rates upon which Rover and each of these firm shippers have agreed are lower than the corresponding recourse rates being proposed in this filing.

The Tariff filed herein has been shared with the majority of Rover's firm shippers and Rover believes that these shippers are in agreement with the proposed Tariff.

Cost of Service and Rate Design

The derivation of the recourse rates for the fully operational system is based on a total cost of service of approximately $1.031 billion. Page 2 of 10 shows the derivation of the recourse rates. Pages 3 through 9 detail the derivation of the proposed cost of service. Page 10 details the calculation of the fuel reimbursement percentages. In developing the cost of service, Rover has utilized a capital structure of 50% debt and 50% equity. The rate of return on equity of 13.00% is based in part on the specific risks facing Rover as a new pipeline project and is consistent with equity returns recently approved by the Commission for new pipelines, as discussed in the application. The rate of return on debt of 6.50% reflects the relevant capital borrowing environment. The total return allowance of 9.75% is applied to a first year average rate base to derive the return component of the cost of service. See Exhibit L for further detail on Rover's financing arrangements. Rover has used a 2.50% depreciation rate, for the reasons set forth in Exhibit O.

The cost of service for Rover is functionalized as transmission costs and is classified between reservation and usage costs using the straight fixed-variable rate design methodology. The usage component of the rates consists of estimated variable costs of materials such as lubricants, mechanical parts and operational fluid that will be used at the compressor stations. The recourse rates are derived based on the design capacity of the proposed pipeline. Rover is also applying a credit of $2,000,000 to the total cost of service amount for interruptible services, because it has the same effect as allocating costs to interruptible services in the design of initial rates. The authorized overrun rate for firm service and the interruptible transportation rate are designed on a 100% load factor basis of the Rate Schedule FTS reservation and usage rates. Rover also intends to offer a gas parking service (Rate Schedule GPS) as system operations allow. A rate for this service was derived from the Rate Schedule ITS rates.

Fuel Gas, and Lost and Unaccounted for Gas

Pursuant to Section 21 of the General Terms and Conditions of its *Pro Forma* FERC NGA Gas Tariff ("GT&C"), Rover will have in place a tracking and true-up mechanism to recover fuel gas, and lost and unaccounted for gas ("LUAF"). This tracking mechanism includes a deferred account with a semi-annual recalculation of the applicable percentages for each category (fuel gas, and LUAF) so that over time Rover will collect the actual amounts incurred for these items. LUAF will be assessed under the Tariff on a system-wide basis. Separate fuel charges are applicable to (i) quantities transported in the Supply Area, upstream of a point on Rover's system located at the Mainline Compressor Station No. 1, in Carroll County, Ohio, and (ii) quantities transported through the Mainline Area, from the Mainline Compressor Station No. 1, to the Midwest Hub, near Defiance, Ohio. In addition, quantities transported from the Midwest Hub, north in the Market Area, as well as those quantities transported from the Midwest Hub, south through the interconnect with Panhandle Eastern Pipe Line Company, LP ("Panhandle"), will pay a separate fuel charge, including any third-party fuel associated with Account No. 858, Transmission & Compression By Others.

Rover is proposing initial fuel gas percentages, exclusive of LUAF, of 0.22% applicable to Supply Area quantities received upstream of the Mainline Compressor Station No. 1, and 0.49% applicable to Mainline Area quantities received upstream of the Midwest Hub. The initial fuel gas percentages, exclusive of LUAF, for quantities transported north from the Midwest Hub will be 0.26%, while the initial fuel gas percentages, exclusive of LUAF, for quantities transported south to Panhandle and Trunkline Gas Company, LLC ("Trunkline") from the Midwest Hub will be at Panhandle's and Trunkline's then currently effective fuel reimbursement percentages.

The initial Rover system LUAF charge is 0.20%. LUAF is stated on a system-wide basis with each dekatherm transported being assessed this charge. The percentages will be in place until such time, pursuant to Section 21 of the GT&C, Rover will file revised percentages. The percentages will be adjusted in the future pursuant to the semi-annual adjustments of Rover's fuel and LAUF tracking mechanism.

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Exhibit P – Part I

Derivation of Recourse Rates

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Summary of Transportation Rates

Line No.	Description	Supply Area	Mainline Area	Market Area - North	Market Area - South
	(a)	(b)	(c)	(d)	(e)
	Firm Transportation Rates ($/Dth)				
	Rate Schedule FTS				
1	Reservation Charge	$ 7.1589	$ 12.5751	$ 10.9215	$ 9.1459
2	Maximum Usage Charge	0.0008	0.0014	0.0019	0.0184
3	Minimum Usage Charge	0.0008	0.0014	0.0019	0.0184
	Interruptible Transportation (ITS) Rates ($/Dth)				
	Rate Schedule ITS				
4	Maximum Usage Charge	0.2362	0.4148	0.3610	0.3191
5	Minimum Usage Charge	0.0008	0.0014	0.0019	0.0184
	Authorized Overrun Rates ($/Dth) for Rate Schedule FTS				
6	Maximum Overrun Charge	0.2354	0.4134	0.3591	0.3007
7	Minimum Overrun Charge	-	-	-	-
	Park and Loan Service Rates ($/Dth) /1				
	Rate Schedule GPS				
8	Maximum Usage Charge	0.2362	0.4148	0.3610	0.3191
9	Minimum Usage Charge	0.0008	0.0014	0.0019	0.0184

Notes:

1/ Rates for Rate Schedule GPS are derived from the Rate Schedule ITS.
The GPS rate is the equivalent of the Rate Schedule ITS 100% Load Factor rate.
GPS shippers are charged a usage charge multiplied by the total quantity of gas either parked or borrowed each day during the month.

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Summary of Rate Design and Rate Derivation

Line No.	Description (a)	Total (b)	Supply Zone (c)	Mainline Zone (d)	Market-North Zone (e)	Market-South Zone (f)
	Rate Design and Rate Derivation					
		$ 1,030,928,152	$ 280,184,330	$ 492,117,964	$ 171,276,118	$ 87,349,740
1	Reservation Cost of Service		$ 279,195,785	$ 490,430,214	$ 170,375,913	$ 82,312,740
2	Usage Cost of Service		$ 988,545	$ 1,687,750	$ 900,205	$ 5,037,000
3	Annual Reservation Volumes		39,000,000 1/	39,000,000 1/	15,600,000 4/	9,000,000 6/
4	Annual Usage Volumes		1,186,250,000 2/	1,186,250,000 2/	474,500,000 5/	273,750,000 7/
	Firm Transportation Service					
5	Reservation Rate ($/Dth)		$ 7.1589	$ 12.5751	$ 10.9215	$ 9.1459
6	Usage Rate ($/Dth)		$ 0.0008	$ 0.0014	$ 0.0019	$ 0.0184
7	Authorized Overrun ($/Dth)		$ 0.2354 3/	$ 0.4134 3/	$ 0.3591 3/	$ 0.3007 3/
	Interruptible Transportation Service					
8	Usage Rate ($/Dth)		$ 0.2362	$ 0.4148	$ 0.3610	$ 0.3191

Notes:

1/ 3,250,000 Dth/day x 12 months.
2/ 3,250,000 Dth/day x 365 days.
3/ Reservation Rate x 12 Months / 365 Days.
4/ 1,300,000 Dth/day x 12 months.
5/ 1,300,000 Dth/day x 365 days.
6/ 750,000 Dth/day x 12 months.
7/ 750,000 Dth/day x 365 days.

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Pro Forma Cost of Service

Line No.	Description	Reference	Total Amount
	(a)	(b)	(c)
1	Operation & Maintenance Expense	Page 4	$ 150,515,440
2	Depreciation Expense	Page 5	105,264,312
3	Other Taxes	Page 6	210,013,252
4	Return on Rate Base	Page 7	396,794,107
5	State Income Taxes	Page 9	26,273,683
6	Federal Income Taxes	Page 9	144,067,358
7	Revenue Credits 1/		(2,000,000)
8	Total Cost of Service		$ 1,030,928,152

Note:

1/ Represents revenues associated with Rate Schedule ITS transportation service, Rate Schedule FTS overrun service and Rate Schedule GPS service.

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Pro Forma Operation and Maintenance Expenses

Line No.	Description (a)	Total (b)
1	Operations & Maintenance Labor	$ 5,500,000
2	Operations & Maintenance Supplies & Other	142,015,440
3	Administrative and General	2,000,000
4	Property and Casualty Insurance	1,000,000
5	Total Operation and Maintenance Expenses	$ 150,515,440

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Pro Forma Calculation of Depreciation Expense

Line No.	Description (a)		Total Amount (b)
	Depreciation:		
1	Depreciable Plant	**1/**	$ 4,210,572,471
2	Depreciation Rate		2.50%
3	Depreciation Expense		105,264,312
	Accumulated Depreciation:		
4	Beginning Balance		$ -
5	Ending Balance		$ 105,264,312

Note: 1/ Depreciable Plant does not reflect non-depreciable land cost in the amount of $5,322,804.

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Pro Forma Other Taxes

Line No.	Description (a)	Total (b)
1	Ad Valorem Taxes	$ 209,548,502
2	Social Security & Unemployment Taxes	464,750
3	Total Other Taxes	$ 210,013,252

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Pro Forma Rate Base and Return Allowance Calculation

Line No.	Description (a)	Total (b)
1	Gross Plant	$ 4,215,895,275
2	Accumulated Depreciation	105,264,312
3	Net Plant in Service	4,110,630,963
4	Deferred Taxes	40,947,817
5	Total Rate Base	$ 4,069,683,146
6	Return on Rate Base (Return Allowance)	$ 396,794,107

Capital Structure and Rate of Return

7	Capitalization - Debt Percentage	50.00%
8	Capitalization - Equity Percentage	50.00%
9	Cost of Debt	6.50%
10	Cost of Equity	13.00%
11	Return - Debt	3.250%
12	Return - Equity	6.500%
13	Return - Total	9.750%

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Pro Forma Deferred Income Taxes

Line No.	Description (a)	Total (b)	
1	Tax Depreciation	$ 210,528,624	1/
2	Less: Book Depreciation	105,264,312	
3	Tax/Book Depreciation Difference	105,264,312	
4	Tax Rate	38.90%	2/
5	Deferred Taxes	$ 40,947,817	

Notes:

1/ Based on a 5% MACRS tax depreciation rate.

2/ Federal Income Tax Rate of 35% and Composite State Income Tax Rate of 6.00%
Effective Income Tax Rate = 35% x (100% - 6.00%) + 6.00%

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Pro Forma Income Tax Allowance

Line No.	Description (a)	Total (b)	
1	Return on Rate Base	$ 396,794,107	
2	Add: Equity AFUDC Amortization	$ 7,776,153	
3	Less: Interest Expense	137,016,596	
4	Tax Base - Federal	267,553,663.56	
5	Federal Income Taxes @ 35%	144,067,358	1/
6	Tax Base - State	411,621,022	
7	State Income Taxes	26,273,683	2/
8	Total Income Taxes	$ 170,341,041	

Notes:

1/ Line 4 x 35% / (100% - 35%).

2/ Line 6 x 6.00% / (100% - 6.00%).
Calculation based on a Composite State Income Tax Rate.

ROVER PIPELINE LLC

Computation of Projected Compressor Fuel Use Component
Pursuant to Section 21 of the General Terms and Conditions
of Rover's *Pro Forma* FERC NGA Gas Tariff, Original Volume No. 1

Line No.	Description	Estimated Fuel - MMscf/d	Estimated Flow - MMscf/d	Fuel Use Component Percentage
		(a)	(b)	(c)
	Supply Area			
1	Sherwood	1.96	800.00	
2	Seneca	2.19	1,000.00	
3	Clarington	1.36	800.00	
4	Majorsville	1.17	300.00	
5	Cadiz	2.39	1,250.00	
6	Burgettstown	0.92	400.00	
7	Total Supply Area	9.99	4,550.00	0.22 %
	Mainline			
8	Mainline Compressor Station No. 1	5.73	3,250.00	
9	Mainline Compressor Station No. 2	5.39	3,250.00	
10	Mainline Compressor Station No. 3	4.90	3,250.00	
11	Total Mainline	16.02	3,250.00	0.49 %
	Market - North			
12	Defiance Compressor Station	3.43	1,300.00	
13	Total Market - North	3.43	1,300.00	0.26 %
14	Estimated LUAF Component			0.20 %

Note: Fuel consumption data obtained from CAT technical data sheets using 0.5 Nox engines at site rated conditions.

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Exhibit P – Part II

Proposed FERC NGA Gas Tariff