

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*As used in this management's discussion and analysis, unless the context otherwise requires, "we," "us," "our," "Rockies Express" and similar terms refer to Rockies Express Pipeline LLC. This discussion and analysis is based on our financial statements, which are prepared in accordance with GAAP. Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. The reported amounts of our assets and liabilities, revenues and expenses and associated disclosures with respect to contingent assets and liabilities are necessarily affected by our estimates. We evaluate estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. The following discussion and analysis should be read in conjunction with our unaudited interim financial statements for the three and six months ended June 30, 2017 and 2016. For additional information regarding us, please also reference the annual, quarterly and other reports and other information filed by Tallgrass Energy Partners, LP with the Securities and Exchange Commission. Certain terms used and not defined herein have the meaning ascribed to them in the glossary of common industry and measurement terms contained in the most recent Annual Report on Form 10-K for the year ended December 31, 2016 filed by Tallgrass Energy Partners, LP with the Securities and Exchange Commission.*

### Overview

We are engaged in the ownership and operation of the Rockies Express Pipeline, a FERC-regulated natural gas pipeline system with approximately 1,712 miles of transportation pipelines, including laterals, extending from Opal, Wyoming and Meeker, Colorado to Clarington, Ohio and consists of three zones:

- Zone 1 - 328 miles of mainline pipeline from the Meeker Hub in Northwest Colorado, across Southern Wyoming to the Cheyenne Hub in Weld County, Colorado capable of transporting 2.0 Bcf/d of natural gas from west-to-east;
- Zone 2 - 714 miles of mainline pipeline from the Cheyenne Hub to an interconnect in Audrain County, Missouri capable of transporting 1.8 Bcf/d of natural gas from west-to-east; and
- Zone 3 - 643 miles of mainline pipeline from Audrain County, Missouri to Clarington, Ohio, which is bi-directional and capable of transporting 1.8 Bcf/d of natural gas from west-to-east and 2.6 Bcf/d of natural gas from east-to-west.

We generate revenue primarily by providing transportation services to third-party natural gas producers, processors, marketers, distribution utilities, industrial end-users, power plants and other shippers. Pursuant to our transportation service agreements and FERC tariff provisions, the Rockies Express Pipeline offers its customers firm and interruptible gas transportation, park and loan services, pooling and wheeling services and booster compression services. Our primary source of revenue is from firm transportation service. Under our tariff, firm transportation customers pay a two-part rate that includes (i) a fixed-fee which reserves the right to transport natural gas in our facilities and (ii) a per-unit commodity rate and other fuel rates and tariff surcharges based on actual volumes transported. Our firm transportation reservation rates represented approximately 98% and 99% of our total transportation revenues for the three months ended June 30, 2017 and 2016, respectively, and 99% and 98% for the six months ended June 30, 2017 and 2016. In addition to firm transportation, we offer interruptible service, where there is no fixed-fee associated with the service because the customer accepts the possibility that service may be interrupted in order to serve customers who have purchased firm service. Our interruptible service customers pay a per-unit rate based on actual volumes transported, a fuel charge, and other applicable surcharges. We also receive fees for park and loan services, which allow customers to balance deliveries and receipts at designated points on our pipeline on an interruptible basis; for pooling and wheeling services, which allow customers to bundle smaller quantities of gas from different suppliers into larger, more marketable quantities of gas; and for booster compression services, which allow customers to bring gas onto the Rockies Express Pipeline from lower pressure sources.

### Recent Developments

#### *Ultra Settlement*

In early 2016, Ultra Resources, Inc. ("Ultra") defaulted on its firm transportation service agreement for approximately 0.2 Bcf/d through November 11, 2019. In late March 2016, Rockies Express terminated Ultra's service agreement. On April 14, 2016, Rockies Express filed a lawsuit against Ultra for breach of contract and damages in Harris County, Texas, seeking approximately \$303 million in damages and other relief. On April 29, 2016, Ultra and certain of its debtor affiliates filed for protection under Chapter 11 of the United States Bankruptcy Code in United States Bankruptcy Court for the Southern District of Texas, which operated as a stay of the Harris County state court proceeding.

On January 12, 2017, Rockies Express and Ultra entered into an agreement to settle Rockies Express' approximately \$303 million claim against Ultra. In accordance with the settlement agreement, Ultra made a cash payment to Rockies Express of \$150 million on July 12, 2017, and entered into a new, seven-year firm transportation agreement with Rockies Express commencing December 1, 2019, for west-to-east service of 0.2 Bcf/d at a rate of approximately \$0.37 per dth/d, or approximately \$26.8 million annually.

## **Results of Operations**

### ***Three Months Ended June 30, 2017 Compared to the Three Months Ended June 30, 2016***

Total revenues were \$207.2 million for the three months ended June 30, 2017 compared to \$175.4 million for the three months ended June 30, 2016, which represents an increase of \$31.8 million, or 18%. The increase in revenues was driven by a \$29.1 million increase in transportation services revenue, primarily attributable to revenue of \$34.1 million from the Zone 3 Capacity Enhancement assets placed into commercial service in January 2017.

Total operating income was \$112.8 million for the three months ended June 30, 2017 compared to \$85.3 million for the three months ended June 30, 2016, which represents a increase of \$27.5 million, or 32%. The increase in operating income was primarily due to increased revenues of \$31.8 million, as discussed above, partially offset by increased operating costs and expenses of \$4.3 million. The \$4.3 million increase in operating costs and expenses was primarily driven by a \$4.4 million increase in depreciation and amortization as a result of assets placed in service in 2017 for the Zone 3 Capacity Enhancement project discussed above.

### ***Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016***

Total revenues were \$408.5 million for the six months ended June 30, 2017 compared to \$391.9 million for the six months ended June 30, 2016, which represents an increase of \$16.6 million, or 4%. The increase in revenues was driven by a \$13.6 million increase in transportation services revenue, primarily attributable to revenue of \$67.3 million from the Zone 3 Capacity Enhancement assets placed into commercial service in January 2017, partially offset by a \$39.6 million decrease resulting from a contract extension during the second quarter of 2016 and a \$17.6 million decrease in revenue due to contract terminations.

Total operating income was \$220.1 million for the six months ended June 30, 2017 compared to \$201.4 million for the six months ended June 30, 2016, which represents an increase of \$18.7 million, or 9%. The increase in operating income was due to increased revenues of \$16.6 million, as discussed above, and decreased operating costs and expenses of \$2.1 million. The \$2.1 million decrease in operating costs and expenses was driven by a \$12.0 million decrease in general and administrative expenses, primarily due to bad debt expense in the first quarter of 2016 related to the Ultra contract terminated in April 2016, and a \$3.5 million decrease in taxes, other than income taxes, due to revised property tax estimates as a result of successful appeals with state taxing authorities on the assessed value of property. These decreases were partially offset by an \$8.3 million increase in depreciation and amortization as a result of assets placed in service in 2017 for the Zone 3 Capacity Enhancement project discussed above and a \$2.8 million increase in cost of transportation services primarily driven by mark-to-market adjustments on our fuel tracker liabilities.

## **Liquidity and Capital Resources**

### ***Primary Uses of Cash***

Our primary uses of cash, in addition to normal operating and general and administrative expenses, are for distributions of available cash to our Members, debt service and expansion and maintenance capital expenditures. Under our limited liability company agreement, available cash is generally defined as all of our unrestricted cash and cash equivalents less any amounts that have been set aside by our board of directors to maintain reasonably adequate reserves for our operations or any other purpose determined by our board of directors.

We intend to fund our short-term working capital requirements and maintenance capital expenditures through cash from operations, cash on hand, or borrowings under our revolving credit facility. We expect to refinance or repay our outstanding existing notes with contributions from Members, additional issuances of long-term debt, or with cash from operations. We currently expect to fund capital expenditures necessary to implement our business strategy primarily through a combination of cash flow from operations and contributions from Members.

### ***Revolving Credit Facility***

On October 1, 2015, we entered into a \$150 million senior unsecured revolving credit facility ("the revolving credit facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders, which will mature on January 31, 2020. The revolving credit facility includes a \$75 million sublimit for letters of credit and a \$20 million sublimit for swing line loans and may be used for working capital and general company purposes. The revolving credit facility also contains an accordion feature whereby Rockies Express can increase the size of the credit facility to an aggregate of \$200 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. As of June 30, 2017, there were no outstanding borrowings or letters of credit issued under the revolving credit facility.

### ***Contributions from Members***

During the six months ended June 30, 2017 and 2016, Rockies Express received contributions from Members of \$49.1 million and \$162.5 million, respectively, which were primarily used to fund the construction and other costs of the Zone 3 Capacity Enhancement project, as discussed in Note 7 – *Regulatory Matters*.

### ***Cash Flows***

We have steady revenue and cash flows as the result of long-term firm transportation service contracts for substantially all of our pipeline's design capacity. These commitments provide the company with fixed monthly reservation revenues for the primary term of most of our west-to-east contracts into 2019. We continue to make progress on a number of re-contracting options, including, for example, the Encana contract extension executed during the second quarter of 2016 which extends Encana's contract to 2024, and the Ultra Settlement discussed above. The Seneca Lateral Project facilities include contracts for 0.6 Bcf/d with a weighted average life of 11 years, the additional east-to-west transportation capacity within Zone 3 includes contracts for 1.2 Bcf/d with a weighted average life of 18 years, and the Zone 3 Capacity Enhancement project which increased east-to-west transport capacity by an additional 0.8 Bcf/d, all of which is under contract through 2032. Mitigation initiatives have and will continue to involve capital expenditures for the construction of additional infrastructure. The following discussion of cash flows should be read in conjunction with the statements of cash flows and related supplemental disclosures included in our interim financial statements.

#### ***Cash Flows From Operating Activities***

Net cash provided by operating activities was \$162.5 million for the six months ended June 30, 2017 compared to \$357.0 million for the six months ended June 30, 2016. The overall decrease in net cash provided by operating activities of \$194.5 million was primarily due to a decrease in operating results driven by the \$61.7 million gain on litigation settlement recognized during the six months ended June 30, 2016, as well as an increase in cash outflows of \$50.8 million in return of customer deposits, driven by deposits returned to customers during the six months ended June 30, 2017, a decrease in cash inflows of \$32.1 million from customer deposits, driven by customer deposits collected during the six months ended June 30, 2016, and a net decrease in cash inflows from changes in working capital, primarily driven by a \$51.4 million decrease in net cash inflows from accounts receivable.

#### ***Cash Flows From Investing Activities***

Net cash used in investing activities was \$83.7 million for the six months ended June 30, 2017 compared to \$177.7 million for the six months ended June 30, 2016. Capital expenditures of \$81.6 million and \$175.7 million for the six months ended June 30, 2017 and 2016, respectively, were primarily related to the Zone 3 Capacity Enhancement project.

#### ***Cash Flows From Financing Activities***

Net cash used in financing activities was \$190.2 million for the six months ended June 30, 2017 compared to \$124.2 million for the six months ended June 30, 2016. Net cash used in financing activities during the six months ended June 30, 2017 represents distributions to Members of \$239.3 million, partially offset by contributions from Members of \$49.1 million. Net cash used in financing activities during the six months ended June 30, 2016 represents distributions to Members of \$286.7 million, partially offset by contributions from Members of \$162.5 million.

### **Forward-Looking Statements**

Disclosures in this discussion and analysis contain "forward-looking statements." All statements, other than statements of historical facts, included in this discussion and analysis that address activities, events or developments that management expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements, and other important factors that could cause actual results to differ materially from those projected. Any forward-looking statement applies only as of the date on which such statement is made and we do not intend to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.