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Rice Midstream Partners LP
Form 10-Q
November 05, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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: 001-36789

Rice Midstream Partners LP

(Exact name of registrant as specified in its charter)

Delaware

47-1557755

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

400 Woodcliff Drive

15317

Canonsburg, Pennsylvania

(Address of principal executive offices)

(Zipcode)

(724) 746-6720

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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At November 2, 2015, there were 57,507,411 units (consisting of 28,753,788 common units and 28,753,623 subordinated units) outstanding.

RICE MIDSTREAM PARTNERS LP
QUARTERLY REPORT ON FORM 10-Q
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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains “forward-looking statements.” All statements, other than statements of historical fact included in this Quarterly Report, regarding our strategy, future operations, financial position, estimated revenues and income/losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “potential” and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”) and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the “June 30, 2015 Quarterly Report”), each on file with the Securities and Exchange Commission (the “SEC”) and in this Quarterly Report.

Forward-looking statements may include statements about:

- the ability of Rice Energy or our other customers to meet their drilling and development plans on a timely basis or at all;
- business strategy;
- realized natural gas, NGLs and oil prices;
- competition and government regulations;
- actions taken by third-party producers, operators, processors and transporters;
- pending legal or environmental matters;
- costs of conducting our gathering and compression operations;
- general economic conditions;
- credit and capital markets;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our gathering and compression business. These risks include, but are not limited to, commodity price volatility; inflation; environmental risks; regulatory changes; the uncertainty inherent in projecting future throughput volumes, cash flow and access to capital; the timing of development expenditures of Rice Energy or our other customers; and the other risks described under “Item 1A. Risk Factors” in the 2014 Annual Report, the June 30, 2015 Quarterly Report and this Quarterly Report. Should one or more of the risks or uncertainties described in this Quarterly Report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report.

Commonly Used Defined Terms

As used in the Quarterly Report, unless the context indicates or otherwise requires, the following terms have the following meanings:

“Rice Midstream Partners LP,” the “Partnership,” “we,” “our,” “us” or like terms refers to Rice Midstream Partners LP and its consolidated subsidiaries, and for periods prior to our initial public offering on December 22, 2014, refers to our Predecessor;

“Predecessor” when discussing periods:

• subsequent to the formation of Rice Poseidon in July 2013 through January 29, 2014, refers to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon;

• subsequent to January 29, 2014 through April 17, 2014, refers collectively to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon taken together with the Alpha Assets; and

• subsequent to April 17, 2014 up to December 22, 2014, refers collectively to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon, the Alpha Assets and the Momentum Assets from their respective dates of acquisition.

“Alpha Assets” refers to the natural gas gathering and water distribution assets owned by Rice Energy’s Marcellus joint venture prior to the completion of Rice Energy’s initial public offering on January 29, 2014. Rice Energy purchased its joint venture partner’s remaining 50% interest in its Marcellus joint venture in connection with the completion of the Rice Energy initial public offering;

• “Marcellus joint venture” refers collectively to Alpha Shale Resources, LP and its general partner, Alpha Shale Holdings, LLC;

• “Momentum Assets” refers to North System, which is comprised of certain natural gas gathering and compression assets, rights-of-way and associated permits acquired by Rice Poseidon from a third party on April 17, 2014;

• “our general partner” or “Midstream Management” refer to Rice Midstream Management LLC, a wholly-owned subsidiary of Rice Energy;

• “Rice Energy” refers to Rice Energy Inc. and its consolidated subsidiaries, and for periods prior to Rice Energy’s initial public offering on January 29, 2014, refers to Rice Energy’s predecessor, Rice Drilling B LLC, and its consolidated subsidiaries;

• “Rice Midstream Holdings” refers to Rice Midstream Holdings LLC, the owner of our general partner and a wholly-owned subsidiary of Rice Energy; and

• “Rice Poseidon” refers to Rice Poseidon Midstream LLC, a wholly-owned subsidiary of Rice Energy immediately prior to the completion of our initial public offering on December 22, 2014.

PART I

Item 1. Financial Statements

Introduction to the Condensed Consolidated Financial Statements

Rice Midstream Partners LP (“Rice Midstream Partners” or the “Partnership”), which closed its initial public offering (“IPO”) on December 22, 2014, is a Delaware limited partnership formed by Rice Energy Inc. (“Rice Energy”) in August 2014. References in these unaudited condensed consolidated financial statements to the Partnership, when used for periods prior to its IPO, refer to the Predecessor (as defined below). References in these unaudited condensed consolidated financial statements, when used for periods beginning at or following the IPO, refer collectively to the Partnership and its consolidated subsidiaries. References in these unaudited condensed consolidated financial statements to Rice Energy refer collectively to Rice Energy and its consolidated subsidiaries, other than the Predecessor or the Partnership, as applicable.

Rice Poseidon Midstream LLC (“Rice Poseidon”) was formed in July 2013 to hold all of Rice Drilling B LLC’s (“Rice Drilling B”) wholly-owned natural gas gathering, compression and fresh water distribution assets in Pennsylvania. Rice Drilling B is a wholly-owned operating company of Rice Energy. At the time of the formation of Rice Poseidon, the only natural gas gathering, compression and fresh water distribution assets in Pennsylvania not included in Rice Poseidon and in which Rice Drilling B owned any interest were the natural gas gathering and water distribution assets (the “Alpha Assets”) of Alpha Shale Resources, LP (“Alpha Shale”), which are treated as having been acquired by the Predecessor upon Rice Drilling B’s acquisition of the remaining 50% interest in Alpha Shale from a third party in January 2014. Prior to the formation of Rice Poseidon, the assets of Rice Poseidon were held in various subsidiaries of Rice Drilling B.

The “Predecessor,” when discussing periods:

• subsequent to the formation of Rice Poseidon in July 2013 through January 29, 2014, refers to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon;

• subsequent to January 29, 2014 through April 17, 2014, refers collectively to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon taken together with the Alpha Assets; and

• subsequent to April 17, 2014 up to December 22, 2014, refers collectively to the natural gas gathering, compression and water distribution assets and operations of Rice Poseidon, the Alpha Assets and the Momentum Assets (discussed below) from their respective dates of acquisition.

Subsequent to January 29, 2014, the Predecessor includes the Alpha Assets. Prior to January 29, 2014, Rice Energy and a third party each owned a 50% interest in Alpha Shale, a joint venture formed to own and develop natural gas acreage in the Marcellus shale, including the Alpha Assets. On January 29, 2014, in connection with the completion of its initial public offering, Rice Energy acquired the remaining 50% third-party interest in Alpha Shale.

In addition, on April 17, 2014, Rice Poseidon acquired natural gas gathering assets (the “Momentum Assets”) in eastern Washington and Greene Counties, Pennsylvania from M3 Appalachia Gathering LLC.

Rice Midstream Partners LP Condensed Consolidated Balance Sheets (Unaudited) (in thousands)	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$18,961	\$26,832
Accounts receivable	7,229	297
Accounts receivable - affiliate	4,592	2,049
Deposits, prepaid expenses and other	271	233
Total current assets	31,053	29,411
Property and equipment, net	408,074	280,077
Deferred financing costs, net	2,462	2,874
Goodwill	39,142	39,142
Intangible assets, net	46,568	47,791
Total assets	\$527,299	\$399,295
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	25,278	109
Accrued capital expenditures	21,974	4,103
Payable to affiliate	—	156
Other accrued liabilities	1,106	1,577
Total current liabilities	48,358	5,945
Long-term liabilities:		
Long-term debt	72,000	—
Other long-term liabilities	62	—
Total liabilities	120,420	5,945
Partners' capital:		
Common units (28,753,623 issued and outstanding at September 30, 2015 and December 31, 2014)	450,600	442,451
Subordinated units (28,753,623 issued and outstanding at September 30, 2015 and December 31, 2014)	(43,721	) (49,101)
Total partners' capital	406,879	393,350
Total liabilities and partners' capital	\$527,299	\$399,295

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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Rice Midstream Partners LP
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except unit data)	2015	2014	2015	2014
Operating revenues:				
Affiliate	\$15,578	\$68	\$44,745	\$237
Third-party	4,564	1,552	11,294	2,842
Total operating revenues	20,142	1,620	56,039	3,079
Operating expenses:				
Operation and maintenance expense	1,727	1,495	3,985	2,863
General and administrative expense ⁽¹⁾	2,828	1,115	7,344	7,791
Incentive unit expense ⁽²⁾	—	5,878	—	10,526
Equity compensation expense ⁽³⁾	961	260	2,960	378
Depreciation expense	1,597	955	4,531	1,851
Amortization of intangible assets	407	408	1,223	748
Other (income) expense	(347)	) —	492	—
Total operating expenses	7,173	10,111	20,535	24,157
Operating income (loss)	12,969	(8,491)	) 35,504	(21,078)
Other income	2	—	6	—
Interest expense ⁽⁴⁾	(557)	) (2,744)	) (1,408)	) (10,502)
Amortization of deferred finance costs	(144)	) —	(432)) —
Income (loss) before income taxes and discontinued operations	12,270	(11,235)	) 33,670	(31,580)
Income tax benefit	—	2,119	—	8,531
Income (loss) from continuing operations	12,270	(9,116)	) 33,670	(23,049)
Loss from discontinued operations, net of tax	—	(1,630)	) —	(3,036)
Net income (loss)	\$12,270	\$(10,746)	) \$33,670	\$(26,085)
Net income per limited partner unit:				
Common units (basic)	\$0.21		\$0.59	
Common units (diluted)	\$0.21		\$0.58	
Subordinated units (basic and diluted)	\$0.21		\$0.59	

Cash distributions declared per limited partner unit:

Common units	\$0.1935	\$0.5715
Subordinated units	\$0.1935	\$0.5715

General and administrative expenses include charges from Rice Energy of \$2.3 million and \$0.7 million for the (1) three months ended September 30, 2015 and 2014, respectively, and \$5.9 million and \$5.5 million for the nine months ended September 30, 2015 and 2014, respectively.

(2) Incentive unit expense for the three and nine months ended September 30, 2014 was allocated from Rice Energy.

(3) Equity compensation expense for the three and nine months ended September 30, 2014 was allocated from Rice Energy.

(4) Interest expense for the three and nine months ended September 30, 2014 was allocated from Rice Energy.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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Rice Midstream Partners LP
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$33,670	\$(26,085)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss from discontinued operations, net of income taxes	—	3,036
Depreciation expense	4,531	1,851
Amortization of intangibles	1,223	748
Amortization of deferred financing costs	432	—
Incentive unit expense	—	10,526
Equity compensation expense	2,960	378
Deferred income tax benefit	—	(8,531)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable and receivable from affiliate	(9,631)	(1,482)
(Increase) in prepaid expenses and other assets	(79)	(232)
Increase in accounts payable and payable to affiliate	2,014	130
(Decrease) increase in accrued liabilities and other	(480)	1,045
Net cash provided by (used in) operating activities of continuing operations	34,640	(18,616)
Net cash used in operating activities of discontinued operations	—	(1,781)
Net cash provided by (used in) operating activities	34,640	(20,397)
Cash flows from investing activities:		
Capital expenditures	(91,451)	(51,849)
Acquisition of Marcellus joint venture	—	(60,486)
Acquisition of Momentum assets	—	(111,448)
Net cash used in investing activities of continuing operations	(91,451)	(223,783)
Net cash used in investing activities of discontinued operations	—	(11,096)
Net cash used in investing activities	(91,451)	(234,879)
Cash flows from financing activities:		
Proceeds from borrowings	72,000	—
Costs related to IPO	(129)	—
Additions to deferred financing costs	(21)	(862)
Contributions from parent	—	244,311
Distribution to Rice Midstream Holdings	(11,456)	—
Distributions paid to unitholders	(11,454)	—
Net cash provided by financing activities of continuing operations	48,940	243,449
Net cash provided by financing activities of discontinued operations	—	12,877
Net cash provided by financing activities	48,940	256,326
Net (decrease) increase in cash	(7,871)	1,050
Cash at the beginning of the year	26,832	148
Cash at the end of the period	\$18,961	\$1,198

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Midstream Partners LP
 Condensed Consolidated Statements of Partners' Capital
 (Unaudited)

(in thousands)	Parent Net Equity	Limited Partners		Total
		Common	Subordinated	
Balance, January 1, 2014	\$65,778	\$—	\$—	\$65,778
Contributions from parent	256,133	—	—	256,133
Net loss	(26,085	) —	—	(26,085
Balance, September 30, 2014	\$295,826	\$—	\$—	\$295,826
Balance, January 1, 2015	\$—	\$442,451	\$(49,101	) \$393,350
Equity compensation	—	2,898	—	2,898
Offering costs related to the IPO	—	(129	) —	(129
Distributions to unitholders	—	(11,455	) (11,455	) (22,910
Consolidated net income	—	16,835	16,835	33,670
Balance, September 30, 2015	\$—	\$450,600	\$(43,721	) \$406,879

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Midstream Partners LP
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Partnership have been prepared by the Partnership's management in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments which are, in the opinion of management, necessary to present fairly the Partnership's financial position as of September 30, 2015 and December 31, 2014 and its unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 and cash flows for the nine months ended September 30, 2015 and 2014. For periods prior to December 22, 2014, those condensed consolidated financial statements have been prepared from the separate records maintained by Rice Energy and may not necessarily be indicative of the actual results of operations that might have occurred if the Predecessor had been operated separately during the periods prior to the Partnership's IPO. Because a direct ownership relationship did not exist among the businesses comprising the Predecessor, the net investment in the Predecessor is shown as parent net equity in the condensed consolidated financial statements. Subsequent to the Partnership's IPO, the unaudited condensed consolidated financial statements include the accounts of the Partnership and its subsidiaries, Rice Midstream OpCo LLC ("Rice Midstream OpCo") and Rice Poseidon. Transactions between the Partnership and Rice Energy have been identified in the unaudited condensed consolidated financial statements as transactions between related parties. The unaudited condensed consolidated financial statements and notes previously reported in periods prior to the distribution of all water distribution system assets have been recast to reflect the presentation of the water distribution assets as discontinued operations. Please see Note 7 for additional information regarding discontinued operations.

2. Long-Term Debt

On December 22, 2014, Rice Midstream OpCo entered into a revolving credit agreement (the "revolving credit facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders with a maximum credit amount of \$450.0 million with an additional \$200.0 million of commitments available under an accordion feature subject to lender approval. The credit facility provides for a letter of credit sublimit of \$50.0 million. As of September 30, 2015, Rice Midstream OpCo had \$72.0 million of borrowings outstanding and no letters of credit under this facility. The revolving credit facility is available to fund working capital requirements and capital expenditures, to purchase assets, to pay distributions and repurchase units and for general partnership purposes. The Partnership is the guarantor of the obligations under the revolving credit facility and matures on December 22, 2019.

Principal amounts borrowed are payable on the maturity date, and interest is payable quarterly for base rate loans and at the end of the applicable interest period for Eurodollar loans. The Partnership has a choice of borrowing in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the applicable LIBOR Rate plus an applicable margin ranging from 175 to 275 basis points, depending on the leverage ratio then in effect. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 75 to 175 basis points, depending on the leverage ratio then in effect. The carrying amount of the revolving credit facility is comprised of borrowings for which interest accrues under a fluctuating interest rate structure. Accordingly, the carrying value approximates fair value as of September 30, 2015 and represents a Level 2 measurement. The Partnership also pays a commitment fee based on the undrawn commitment amount ranging from 35 to 50 basis points.

The revolving credit facility is secured by mortgages and other security interests on substantially all of its properties and guarantees from the Partnership and its restricted subsidiaries.

The revolving credit facility limits the Partnership's ability to, among other things:

- incur or guarantee additional debt;
- redeem or repurchase units or make distributions under certain circumstances;
- make certain investments and acquisitions;

incur certain liens or permit them to exist;
enter into certain types of transactions with affiliates;

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- merge or consolidate with another company; and
- transfer, sell or otherwise dispose of assets.

The revolving credit facility also requires the Partnership to maintain the following financial ratios: an interest coverage ratio, which is the ratio of the Partnership's consolidated EBITDA (as defined within the revolving credit facility) to its consolidated current interest expense of at least 2.50 to 1.0 at the end of each fiscal quarter;

a consolidated total leverage ratio, which is the ratio of consolidated debt to consolidated EBITDA, of not more than 4.75 to 1.0, and after electing to issue senior unsecured notes, a consolidated total leverage ratio of not more than 5.25 to 1.0, and, in each case, with certain increases in the permitted total leverage ratio following the completion of a material acquisition; and

if the Partnership elects to issue senior unsecured notes, a consolidated senior secured leverage ratio, which is the ratio of consolidated senior secured debt to consolidated EBITDA, of not more than 3.50 to 1.0.

The Partnership was in compliance with such covenants and ratios effective as of September 30, 2015.

Interest paid in cash was approximately \$0.6 million and \$1.0 million for the three and nine months ended September 30, 2015, respectively.

3. Commitments and Contingencies

Lease Obligations

The Partnership has lease obligations for compression equipment under existing contracts with third parties. Rent expense included in operation and maintenance expense for the three and nine months ended September 30, 2015 was \$0.4 million and \$1.3 million, respectively, and for the three and nine months ended September 30, 2014 was \$0.2 million and \$0.4 million, respectively. Future payments for this equipment as of September 30, 2015 totaled \$5.7 million (2015-\$0.4 million, 2016-\$1.6 million, 2017-\$0.9 million, 2018-\$0.9 million, 2019-\$0.9 million and thereafter-\$1.0 million).

Environmental Obligations

The Partnership is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Partnership believes there are currently no such regulatory or environmental matters that will have a material adverse effect on its results of operations, cash flows or financial position.

4. Partners' Capital

On December 22, 2014, the Partnership completed an underwritten IPO of 28,750,000 common units representing limited partner interests in the Partnership. Rice Energy retained a 50% equity interest in the Partnership, consisting of 3,623 common units and 28,753,623 subordinated units. Concurrent with the IPO, Rice Energy contributed to the Partnership 100% of Rice Poseidon. A wholly-owned subsidiary of Rice Energy serves as the general partner of the Partnership.

The Partnership received cash proceeds, net of issuance costs, of approximately \$444.1 million upon the closing of the IPO. Approximately \$414.4 million of the proceeds were distributed to Rice Energy, \$25.0 million were used by the Partnership to fund 2015 expansion capital expenditures, approximately \$2.0 million were used to pay expenses of the IPO and \$2.7 million were used by the Partnership to pay origination fees associated with the credit agreement entered into by the Partnership at the closing of the IPO.

5. Phantom Unit Awards

In connection with the closing of the IPO, the Partnership's general partner granted phantom unit awards under the Rice Midstream Partners LP 2014 Long Term Incentive Plan (the "LTIP") to certain non-employee directors of the Partnership and executive officers and employees of Rice Energy. The Partnership recorded \$1.0 million and \$3.0 million of equity compensation expense related to these awards in the three and nine months ended September 30, 2015, respectively. Total unrecognized compensation expense expected to be recognized over the remaining vesting periods as of September 30, 2015 is \$3.8 million for these awards. See Note 9 for a discussion of Rice Energy's allocation of expense related to its stock compensation plans prior to the IPO.

6. Net Income per Limited Partner Unit and Cash Distributions

The Partnership's net income is allocated to the limited partners, including subordinated unitholders, in accordance with their respective ownership percentages, and when applicable, giving effect to the incentive distribution rights held by Rice Midstream Holdings LLC, a wholly-owned subsidiary of Rice Energy ("Rice Midstream Holdings"). The allocation of

undistributed earnings, or net income in excess of distributions, to the incentive distribution rights is limited to cash available for distribution for the period. The Partnership's net income allocable to the limited partners is allocated between common and subordinated unitholders by applying the provisions of the Partnership's partnership agreement that govern actual cash distributions as if all earnings for the period had been distributed. Any common units issued during the period are included on a weighted-average basis for the days in which they were outstanding.

Diluted net income per limited partner unit reflects the potential dilution that could occur if securities or agreements to issue common units, such as awards under the LTIP, were exercised, settled or converted into common units. When it is determined that potential common units should be included in diluted net income per limited partner unit calculation, the impact is reflected by applying the treasury stock method.

The following table presents Partnership's calculation of net income per limited partner unit for common and subordinated limited partner units. Net income attributable to the periods prior to the IPO is not allocated to the limited partners for purposes of calculating net income per limited partner unit.

(in thousands, except unit data)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Limited partner net income	\$ 12,270	\$ 33,670
Net income allocable to common units	\$ 6,135	\$ 16,835
Net income allocable to subordinated units	6,135	16,835
Limited partner net income	\$ 12,270	\$ 33,670
Weighted-average limited partner units outstanding - basic:		
Common units	28,753,623	28,753,623
Subordinated units	28,753,623	28,753,623
Total	57,507,246	57,507,246
Weighted-average limited partner units outstanding - diluted:		
Common units ⁽¹⁾	28,899,075	28,844,202
Subordinated units	28,753,623	28,753,623
Total	57,652,698	57,597,825
Net income per limited partner unit - basic:		
Common units	\$ 0.21	\$ 0.59
Subordinated units	0.21	0.59
Total	\$ 0.21	\$ 0.59
Net income per limited partner unit - diluted:		
Common units	\$ 0.21	\$ 0.58
Subordinated units ⁽²⁾	0.21	0.59
Total	\$ 0.21	\$ 0.58
Cash distributions declared per limited partner unit: ⁽³⁾		
Common units	\$ 0.1935	\$ 0.5715
Subordinated units	0.1935	0.5715
Total	\$ 0.1935	\$ 0.5715

⁽¹⁾ Diluted weighted-average limited partner common units includes the effect of 145,452 and 90,579 units for the three and nine months ended September 30, 2015, respectively, related to phantom units.

Diluted net income per limited partner unit is presented as if all earnings for the period had been distributed, and while it appears that more income is allocated to the subordinated unit holders than the common unitholders based (2) on the dilution of the common units from the LTIP for the nine months ended September 30, 2015, our partnership agreement prevents us from making a distribution to the subordinated unitholders in excess of those to the common unitholders.

(3) See Note 11 for further discussion of cash distributions declared for the period presented.

Subordinated Units

Rice Midstream Holdings owns all of the Partnership's subordinated units. The principal difference between the Partnership's common units and subordinated units is that, for any quarter during the "subordination period," holders of the subordinated units will not be entitled to receive any distribution from operating surplus until the common units have received the minimum quarterly distribution for such quarter plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Subordinated units will not accrue arrearages. When the subordination period ends, each outstanding subordinated unit will convert into one common unit, which will then participate pro rata with the other common units in distributions.

Incentive Distribution Rights

All of the incentive distribution rights are held by Rice Midstream Holdings. Incentive distribution rights represent the right to receive increasing percentages (15%, 25% and 50%) of quarterly distributions from operating surplus after the minimum quarterly distribution and the target distribution levels (described below) have been achieved.

For any quarter in which the Partnership has distributed cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum distribution, then the Partnership will distribute any additional available cash from operating surplus for that quarter among the unitholders and the incentive distribution rights holders within 60 days after the end of each quarter in the following manner:

	Total Quarterly Distribution Per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	Incentive Distribution Rights Holders
Minimum Quarterly Distribution	\$0.1875	100%	—%
First Target Distribution	above \$0.1875 up to \$0.2156	100%	—%
Second Target Distribution	above \$0.2156 up to \$0.2344	85%	15%
Third Target Distribution	above \$0.2344 up to \$0.2813	75%	25%
Thereafter	above \$0.2813	50%	50%

On August 13, 2015, a cash distribution of \$0.1905 per common and subordinated unit was paid to the Partnership's unitholders related to the second quarter of 2015. On October 23, 2015, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the third quarter of 2015 of \$0.1935 per common and subordinated unit. The cash distribution will be paid on November 12, 2015 to unitholders of record at the close of business on November 3, 2015.

7. Discontinued Operations

Concurrent with the closing of the IPO, all of the Predecessor's fresh water distribution assets and related operations were distributed to Rice Midstream Holdings. Such fresh water distribution assets had not generated any revenue for the Predecessor and no gain or loss was recognized as a result of the distribution. The following table summarizes the components of discontinued operations activity for the three and nine months ended September 30, 2014.

(in thousands)	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Operating expenses	\$(2,009)	\$(4,366)
Loss from discontinued operations before income taxes	(2,009)	(4,366)
Income tax benefit	379	1,330
Loss from discontinued operations, net of tax	\$(1,630)	\$(3,036)

Included in the loss from discontinued operations before income taxes is allocated interest expense from Rice Energy of \$0.3 million and \$1.1 million for the three and nine months ended September 30, 2014, respectively.

8. Income Taxes

The Partnership is not subject to federal and state income taxes as a result of its limited partner structure. For federal and state income tax purposes, all income, expenses, gains, losses and tax credits generated by the Partnership flow through to the unitholders. As such, the Partnership does not record a provision for income taxes in the current period. Prior to the IPO, the Partnership's income was included as part of Rice Energy's consolidated federal tax return. The Partnership did not report any income tax benefit or expense for periods prior to January 29, 2014, which was the date of Rice Energy's initial public offering, because Rice Energy's accounting predecessor was a limited liability company that was not subject to federal income tax. For the period beginning January 29, 2014 and ending December 21, 2014, Rice Energy allocated an income tax benefit to the Predecessor.

9. Related Party Transactions

In the ordinary course of business, the Partnership has transactions with affiliated companies. During the nine months ended September 30, 2015 and 2014, related parties included Rice Energy and certain of its subsidiaries. Prior to the IPO, the push-down impact of the transactions were recorded in the consolidated statements of operations, and although no cash settlement occurred, all transactions with Rice Energy and its subsidiaries were recorded in parent net equity. Upon completion of the IPO, the Partnership entered into an omnibus agreement (the "Omnibus Agreement") with its general partner, Rice Energy, Rice Poseidon and Rice Midstream Holdings. Pursuant to the Omnibus Agreement, Rice Energy performs centralized corporate and general and administrative services for the Partnership, such as financial and administrative, information technology, legal, health, safety and environmental, human resources, procurement, engineering, business development, investor relations, insurance and tax. In exchange, the Partnership reimburses Rice Energy for the expenses incurred in providing these services, except for any expenses associated with Rice Energy's long-term incentive programs as these are not expenses of the Partnership subsequent to the IPO.

The expenses for which the Partnership reimburses Rice Energy and its subsidiaries related to corporate and general and administrative services may not necessarily reflect the actual expenses that the Partnership would incur on a stand-alone basis. The Partnership is unable to estimate what the costs would have been with an unrelated third party. Also upon completion of the IPO, the Partnership entered into a 15 year, fixed-fee gas gathering and compression agreement (the "Gas Gathering and Compression Agreement") with Rice Drilling B and Alpha Shale, pursuant to which the Partnership gathers Rice Energy's natural gas and provides compression services on the Partnership's gathering systems located in Washington County and Greene County, Pennsylvania. Pursuant to the Gas Gathering and Compression Agreement, the Partnership will charge Rice Energy a gathering fee of \$0.30 per Dth and a compression fee of \$0.07 per Dth per stage of compression, each subject to annual adjustment for inflation based on the Consumer Price Index. The Gas Gathering and Compression Agreement covers substantially all of Rice Energy's acreage position in the dry gas core of the Marcellus Shale in southwestern Pennsylvania as of September 30, 2015 and any future acreage it acquires within these counties, other than 19,000 gross acres subject to a pre-existing third-party dedication. During the nine months ended September 30, 2014, Rice Energy granted stock compensation awards to certain non-employee directors and employees. The awards consisted of restricted stock units, which vest upon the passage of time, and performance stock units, which vest based upon attainment of specified performance criteria. Stock compensation expense related to these awards allocated to the Partnership based on its estimate of the expense attributable to its operations, prior to the IPO, was \$0.3 million and \$0.4 million for the three and nine months ended September 30, 2014, respectively. For periods subsequent to the IPO, no stock compensation expense has been allocated to the Partnership by Rice Energy. See Note 5 for a discussion of the Partnership's equity compensation expense subsequent to the IPO.

Prior to Rice Energy's initial public offering on January 29, 2014, the only long-term incentives offered to certain executives and employees were through grants of incentive units, which were profits interests representing an interest in the future profits (once a certain level of proceeds has been generated) of Rice Energy's predecessor parent entity Rice Energy Appalachia, LLC ("REA") and granted pursuant to the limited liability company agreement of REA. The compensation expense recognized in these unaudited condensed consolidated financial statements is a non-cash charge, with the settlement obligation resting on NGP Rice Holdings, LLC ("NGP Holdings") and Rice Energy Holdings LLC ("Rice Holdings"). Payments on the incentive units will be made by Rice Holdings and NGP Holdings and not by Rice Energy, Rice Poseidon or the Partnership, and as such are not dilutive to Rice Energy, Rice Poseidon

or the Partnership. Incentive unit expense allocated to the Partnership based on its estimate of the expense attributable to its operations was \$5.9 million and \$10.5 million for the three and nine months ended September 30, 2014, respectively. No expense was recognized prior to Rice Energy's initial public offering as the performance conditions related to the incentive units were deemed not probable of occurring. For periods subsequent to the IPO, no incentive unit expense has been allocated to the Partnership by Rice Energy.

10. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”), No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” or ASU 2014-09. The FASB created Topic 606 which supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 will enhance comparability of revenue recognition practices across entities, industries and capital markets compared to existing guidance. Additionally, ASU 2014-09 will reduce the number of requirements which an entity must consider in recognizing revenue, as this update will replace multiple locations for guidance. The FASB and International Accounting Standards Board initiated this joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for both U.S. GAAP and International Financial Reporting Standards. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date.” The amendments in this update deferred the effective date for implementation of ASU 2014-09 by one year. ASU 2014-09 will now be effective for annual reporting periods beginning after December 15, 2017 and should be applied retrospectively. Early application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Partnership has not yet selected a transition method and is currently evaluating the standard and the impact on its consolidated financial statements and footnote disclosures.

In February 2015, the FASB issued ASU, 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for periods beginning after December 15, 2015 with early adoption permitted. The Partnership is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements.

In April 2015, the FASB issued ASU, 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplification of Debt Issuance Costs.” ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU 2015-03 is effective for periods beginning after December 15, 2015 with early adoption permitted. In August 2015, the FASB issued ASU 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.” ASU 2015-15 clarifies the guidance in ASU 2015-03 regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC staff announced they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Partnership is currently evaluating the impact of the provisions of ASU 2015-03 and ASU 2015-15.

In April 2015, the FASB issued ASU, 2015-06, “Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions.” ASU 2015-6 was issued to clarify the process for updating historical earnings per unit disclosures under the two-class method when a drop-down transaction occurs between entities under common control. ASU 2015-06 is effective for periods beginning after December 15, 2015. The guidance should be applied retrospectively and early adoption is permitted. The Partnership is currently evaluating the impact of the guidance on our consolidated financial statements.

In September 2015, the FASB issued ASU, 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.” ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for periods beginning after December 15, 2015 with early adoption permitted. The Partnership is currently evaluating the impact of the provisions of ASU 2015-16.

11. Subsequent Events

On October 23, 2015, the Board of Directors of the Partnership’s general partner declared a cash distribution to the Partnership’s unitholders for the third quarter of 2015 of \$0.1935 per common and subordinated unit. The cash distribution will be paid on November 12, 2015 to unitholders of record at the close of business on November 3, 2015. On November 4, 2015, the Partnership entered into a Purchase and Sale Agreement (the “Purchase Agreement”) by and between the Partnership and Rice Energy, pursuant to which the Partnership acquired all of the outstanding limited

liability company interests of Rice Water Services (PA) LLC (“PA Water”) and Rice Water Services (OH) LLC (“OH Water”), two wholly-owned indirect subsidiaries of Rice Energy that own and operate Rice Energy’s water services business. The acquired business includes Rice Energy’s Pennsylvania and Ohio fresh water distribution systems and related facilities that provide access to 15.9 MMgal/d of fresh water from the Monongahela River, the Ohio River and other regional water sources in Pennsylvania and Ohio (the “Water Assets”). Rice Energy has also granted the Partnership, until December 31, 2025, (i) the exclusive right to

develop water treatment facilities in the areas of dedication defined in the Water Services Agreements (defined below) and (ii) an option to purchase any water treatment facilities acquired by Rice Energy in such areas at Rice Energy's acquisition cost (collectively, the "Option"). In consideration for the acquisition of the Water Assets and the receipt of the Option, the Partnership paid Rice Energy \$200.0 million in cash plus an additional amount, if certain of the conveyed systems' capacities increase by 5.0 MMgal/d on or prior to December 31, 2017, equal to \$25.0 million less the capital expenditures expended by the Partnership to achieve such increase, in accordance with the terms of the Purchase Agreement. The Partnership funded the consideration with borrowings under the Partnership's revolving credit facility. The acquisition is accounted for as a combination of entities under common control at historical cost. This Quarterly Report on Form 10-Q has not been recast for the acquisition of the Water Assets as the transaction closed subsequent to the balance sheet date.

In connection with the closing of the acquisition of the Water Assets, on November 4, 2015, Rice Energy entered into Amended and Restated Water Services Agreements (the "Water Services Agreements") with PA Water and OH Water, respectively, whereby PA Water and OH Water, as applicable, have agreed to provide certain fluid handling services to Rice Energy, including the exclusive right to provide fresh water for well completions operations in the Marcellus and Utica Shales and to collect and recycle or dispose of flowback, produced water and other fluids for Rice within areas of dedication in defined service areas in Pennsylvania and Ohio. The initial term of the Water Services Agreements is until December 22, 2029 and from month to month thereafter. Under the agreements, Rice Energy will pay (i) a variable fee, based on volumes of water supplied, for freshwater deliveries by pipeline directly to the well site, subject to annual CPI adjustments and (ii) a produced water hauling fee of actual out-of-pocket cost incurred by PA Water and OH Water, plus a 2% margin.

In addition, on November 4, 2015, the Partnership entered into a Common Unit Purchase Agreement with certain institutional investors to sell 13,409,961 common units in a private placement for gross proceeds of approximately \$175.0 million (the "Private Placement"). The Partnership expects to use the proceeds of the Private Placement to repay a portion of the borrowings under the Partnership's credit facility that were used to fund the consideration for the acquisition of the Water Assets. The Private Placement is expected to close on November 10, 2015, subject to customary closing conditions.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” contained in our 2014 Annual Report, as well as the condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report. The following discussion contains “forward-looking statements” that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions, or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please read “Cautionary Statement Regarding Forward-Looking Statements.” Also, please read the risk factors and other cautionary statements described under the heading “Item 1A.—Risk Factors” included elsewhere in this Quarterly Report. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

Overview

We are a fee-based, growth-oriented limited partnership formed by Rice Energy Inc. (NYSE: RICE) to own, operate, develop and acquire midstream assets in the Appalachian Basin. Our assets consist of natural gas gathering and compression assets servicing high quality producers in the rapidly developing dry gas core of the Marcellus Shale in southwestern Pennsylvania. We provide our services under long-term, fixed-fee contracts, primarily to Rice Energy in one of its core operating areas. We believe that our strategically located assets, high quality customers and relationship with Rice Energy position us to become a leading midstream energy company in the Appalachian Basin.

Our gas gathering assets consisted of a 2.8 MMDth/d high-pressure dry gas gathering system and associated compression in Washington County, Pennsylvania and a 840 MDth/d high-pressure dry gas gathering system in Greene County, Pennsylvania, each as of September 30, 2015.

Our Operations

Our assets are located within highly-concentrated acreage positions in the dry gas core of the Marcellus Shale in Washington and Greene Counties, Pennsylvania. The dry gas core of the Marcellus Shale in southwestern Pennsylvania is characterized by a combination of low development cost, consistently high production volumes and access to multiple takeaway pipelines.

We contract with Rice Energy and other producers to gather natural gas from wells and well pads located in our dedicated areas and/or near our gathering systems. The natural gas that we gather generally requires no processing or treating prior to delivery into interstate takeaway pipelines, and as of September 30, 2015, required only minimal compression. Over time, we expect to provide associated compression services on our gathering systems to Rice Energy and third parties.

We generate all of our revenues pursuant to long-term, fixed-fee contracts with Rice Energy and other leading Appalachian Basin producers. We generate revenue primarily by charging fixed fees for volumes of natural gas that we gather and compress through our systems. Our assets have been sized to accommodate the projected future production growth of Rice Energy and third parties, as well as to allow us to pursue volumes from additional third parties.

The following provides a summary of the key terms of our gas gathering and compression agreements as of September 30, 2015.

	Remaining Term (Years)	Gathering Fee	Compression Fee ⁽¹⁾	Escalation /Adjustment Mechanism ⁽²⁾	Dedicated Area
Rice Energy	15	\$0.30 / Dth	\$0.07 / stage / Dth	Yes	Washington and Greene Counties ⁽³⁾
Third Parties ⁽⁴⁾	10	\$0.44 / Dth ⁽⁵⁾	\$0.06 / Dth	Yes	66,000 acres in Washington County

(1)

Compression fees under our gas gathering and compression agreements are typically derived on a per stage basis. However, under certain of our third-party agreements, the per stage fees charged for compression varies depending on line pressure as opposed to being a flat fee per stage and can include dehydration fees.

- (2) The gathering and compression fees we receive under our gathering and compression agreements will be annually escalated based upon changes in the Consumer Price Index.

The dedicated area from Rice Energy excludes certain production from an area roughly encompassing three (3) townships in southwestern Greene County under an existing dedication to a third party in which Rice Energy owned approximately 19,000 gross acres as of September 30, 2015.

Amounts shown for third parties represent weighted averages based on historical throughput in the case of (4) remaining term and gathering fee (based on the year ended September 30, 2015), and in the case of dedications, aggregate acres.

Certain of our existing third-party contracts provided for an increase in the gathering fee we receive for gathering (5) volumes upon the completion of construction of an 18-mile, 30-inch gathering pipeline connecting our gathering system in northern Washington County to TETCO, which was completed in November 2014. Prior to December 1, 2014, the weighted average fee was \$0.31/Dth.

As we do not take ownership of the natural gas we gather and compress, we generally do not have direct exposure to fluctuations in commodity prices and basis differentials. However, we have indirect exposure to commodity prices and basis differentials in that persistently low realized sales prices by our customers may cause them to delay drilling or shut-in production, which would reduce the volumes of natural gas available for gathering and compression on our systems. Please read “Item 3.—Quantitative and Qualitative Disclosures about Market Risk.”

Our Predecessor

In January 2010, Rice Energy began constructing its natural gas gathering systems in southwestern Pennsylvania in conjunction with commencing horizontal development of its Marcellus Shale acreage. Rice Poseidon was formed in July 2013 to hold all of Rice Energy’s wholly-owned natural gas gathering, compression and fresh water distribution assets in Pennsylvania. At the time of Rice Poseidon’s formation, the only natural gas gathering, compression and fresh water distribution assets in Pennsylvania in which Rice Energy owned any interest that were not held directly by Rice Poseidon were the Alpha Assets, which are treated as having been acquired by our Predecessor upon Rice Energy’s acquisition of the remaining 50% interest in Alpha Shale Resources, LP (“Alpha Shale”) from a third party in January 2014. Prior to the formation of Rice Poseidon, the assets of Rice Poseidon were owned by various subsidiaries of Rice Energy.

Subsequent to January 29, 2014, our Predecessor includes the Alpha Assets, which consist of certain natural gas gathering and compression assets held in Alpha Shale, a wholly-owned subsidiary of Rice Energy. Prior to January 29, 2014, each of Rice Energy and a third party owned a 50% interest in Alpha Shale, a joint venture formed to develop natural gas acreage in the Marcellus Shale. On January 29, 2014, in connection with the completion of its initial public offering, Rice Energy acquired the remaining 50% interest in Alpha Shale.

In addition, on April 17, 2014, Rice Poseidon acquired, from M3 Appalachia Gathering LLC, the Momentum Assets, which consist of a 28-mile, 6- to 16-inch gathering system in eastern Washington County, Pennsylvania, and permits and rights of way in Washington and Greene Counties, Pennsylvania, necessary to construct an 18-mile, 30-inch gathering system connecting the Washington County system to TETCO.

Our Predecessor included certain fresh water distribution assets and operations in Pennsylvania that were distributed to Rice Midstream Holdings concurrently with the closing of our initial public offering. Such fresh water distribution assets did not generate any revenue for our Predecessor prior to our initial public offering and are presented as discontinued operations in our condensed consolidated financial statements.

Factors That Significantly Affect Comparability of Our Financial Condition and Results of Operations

Our current and future results of operations may not be comparable to the historical results of operations of our Predecessor presented below for the following reasons:

Revenues. There are differences in the way our Predecessor recorded revenues and the way we record revenues. As our assets were a part of the integrated operations of Rice Energy prior to our initial public offering, our Predecessor generally recognized only the costs and did not record revenue associated with the gathering services provided to Rice Energy on an intercompany basis. Accordingly, the revenues in our historical condensed consolidated financial statements for periods prior to December 22, 2014 relate generally only to amounts received from third parties for these services. Subsequent to December 22, 2014, our revenues are generated by existing third-party contracts and from the gas gathering and compression agreement that we entered into with Rice Energy in connection with the closing of our initial public offering.

System Acquisition. As described under “—Our Predecessor,” our Predecessor is treated as having acquired two businesses in the first half of 2014. Collectively, the acquired businesses represent approximately 37% of the natural gas volumes on our gathering systems for the nine months ended September 30, 2015. Similar to the balance of our assets, the assets and operations acquired were early stage assets, in particular with respect to the Momentum Assets.

General and Administrative Expenses. Our Predecessor’s general and administrative expenses included direct and indirect charges for the management of our assets and certain expenses allocated by Rice Energy for general corporate services, such as treasury, accounting and legal services. These expenses were charged or allocated to our Predecessor based on the nature of the expenses and Rice Energy’s estimate of the expense attributable to our Predecessor’s operations. Under our omnibus agreement with Rice Energy (our “Omnibus Agreement”), Rice Energy charges us a combination of direct and allocated charges for general and administrative services.

Financing. There are differences in the way we finance our operations as compared to the way our Predecessor financed its operations. Prior to our initial public offering, our Predecessor’s operations were financed as part of Rice Energy’s integrated operations and our Predecessor did not record any separate costs associated with financing its operations. Additionally, our Predecessor largely relied on capital contributions from Rice Energy to satisfy its capital expenditure requirements. For purposes of our Predecessor’s historical financial statements, we have recorded our proportionate share of Rice Energy’s interest based upon Rice Energy’s estimate of the expense attributable to our operations. Based on the terms of our cash distribution policy, we expect that we will distribute most of the cash generated by our operations to our unitholders. As a result, we expect to fund future growth capital expenditures primarily from a combination of borrowings under our revolving credit facility and the issuance of additional equity or debt securities.

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Results of Operations

The following table sets forth selected operating data for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
Operating data:						
Gathering volumes: (in MDth/d)						
Affiliate	559	327	232	537	302	235
Third-party	112	47	65	92	29	63
Total gathering volumes	671	374	297	629	331	298
Compression volumes: (in MDth/d)						
Affiliate	34	—	34	41	—	41
Third-party	5	32	(27)	12	19	(7)
Total compression volumes	39	32	7	53	19	34
Statement of income data: (in thousands)						
Gathering revenues:						
Affiliate	\$15,203	\$68	\$15,135	\$43,358	\$237	\$43,121
Third-party	4,519	1,341	3,178	11,087	2,474	8,613
Total gathering revenues	19,722	1,409	18,313	54,445	2,711	51,734
Compression revenues:						
Affiliate	375	—	375	1,387	—	1,387
Third-party	45	211	(166)	207	368	(161)
Total compression revenues	420	211	209	1,594	368	1,226
Total operating revenues	20,142	1,620	18,522	56,039	3,079	52,960
Operating expenses:						
Operation and maintenance expense	1,727	1,495	232	3,985	2,863	1,122
General and administrative expense	2,828	1,115	1,713	7,344	7,791	(447)
Incentive unit expense	—	5,878	(5,878)	—	10,526	(10,526)
Equity compensation expense	961	260	701	2,960	378	2,582
Depreciation expense	1,597	955	642	4,531	1,851	2,680
Amortization of intangible assets	407	408	(1)	1,223	748	475
Other expense	(347)	—	(347)	492	—	492
Total operating expenses	7,173	10,111	(2,938)	20,535	24,157	(3,622)
Operating income (loss)	12,969	(8,491)	21,460	35,504	(21,078)	56,582
Other income (loss)	2	—	2	6	—	6
Interest expense	(557)	(2,744)	2,187	(1,408)	(10,502)	9,094
Amortization of deferred finance costs	(144)	—	(144)	(432)	—	(432)
Income (loss) before income taxes and discontinued operations	12,270	(11,235)	23,505	33,670	(31,580)	65,250
Income tax benefit	—	2,119	(2,119)	—	8,531	(8,531)
Income (loss) from continuing operations	12,270	(9,116)	21,386	33,670	(23,049)	56,719

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Loss from discontinued operations, net of tax	—	(1,630)	1,630	—	(3,036)	3,036
Net income (loss)	\$12,270	\$(10,746)	23,016	\$33,670	\$(26,085)	\$59,755

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Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Total operating revenues. The \$18.5 million increase period-over-period primarily relates to affiliate gathering revenues associated with our gathering agreement with Rice Energy, which was not in place prior to December 2014, and an increase in gathering revenues associated with our existing third-party contracts acquired as part of the April 2014 acquisition of certain gas gathering assets in eastern Washington and Greene Counties, Pennsylvania (the “Momentum Acquisition”).

Operation and maintenance expense. The \$0.2 million increase in operation and maintenance expense period-over-period was primarily due to an increase in contract labor expenses and additional leases on compression equipment.

General and administrative expense. General and administrative expense for the three months ended September 30, 2014 was \$1.1 million, which included \$0.7 million of general and administrative expenses allocated to us by Rice Energy. For the three months ended September 30, 2015, general and administrative expenses were \$2.8 million, which primarily related to costs associated with Rice Energy personnel that provide us support pursuant to our Omnibus Agreement.

Incentive unit expense. Incentive unit expense for the three months ended September 30, 2014 was allocated to us based on our estimate of the expense attributable to our operations. The decrease in expense in the previous quarter was attributable to the change in market value of the allocated incentive units. The payment obligation as it relates to the incentive units is with Rice Energy Irrevocable Trust and NGP Rice Holdings LLC and will not be borne by Rice Energy or by us. For periods subsequent to our initial public offering, we are no longer allocated incentive unit expense incurred by Rice Energy.

Equity compensation expense. Equity compensation expense of \$1.0 million for the three months ended September 30, 2015 related to phantom unit awards granted in connection with our initial public offering. Stock compensation for the three months ended September 30, 2014 was allocated to us based on our estimate of the expense attributable to our operations. For periods subsequent to our initial public offering, we are no longer allocated stock compensation expense incurred by Rice Energy.

Depreciation expense. Depreciation expense increased \$0.6 million period-over-period due to additional assets placed into service.

Interest expense. Interest expense decreased \$2.2 million period-over-period. Interest expense incurred in the three months ended September 30, 2014 was charged by Rice Energy to us. For the three months ended September 30, 2015, we incurred interest expense solely in connection with our revolving credit facility.

Income tax benefit. The \$2.1 million income tax benefit for the three months ended September 30, 2014 was a result of Rice Energy’s initial public offering and reorganization of Rice Energy as a corporation subject to U.S. federal income tax. Subsequent to our initial public offering, we are not subject to U.S. federal income tax and certain state income taxes due to our status as a partnership.

Discontinued operations, net of tax. The loss on discontinued operations, net of tax of \$1.6 million for the three months ended September 30, 2014 represents the distribution of our fresh water distribution systems in Washington and Greene Counties, Pennsylvania to Rice Midstream Holdings concurrent with our initial public offering.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Total operating revenues. The \$53.0 million increase in operating revenues primarily relate to affiliate gathering revenues associated with our gathering agreement with Rice Energy, which was not in place prior to December 2014 and an increase in gathering revenues associated with our existing third-party contracts acquired in the Momentum Acquisition.

Operation and maintenance expense. The \$1.1 million increase in operation and maintenance expense period-over-period was primarily due to an increase in contract labor expenses and additional leases on compression equipment.

General and administrative expense. General and administrative expense for the nine months ended September 30, 2014 were \$7.8 million, which included \$5.5 million of general and administrative expenses allocated to us by Rice Energy and approximately \$1.5 million related to costs associated with the Momentum Acquisition. For the nine months ended September 30, 2015, general and administrative expenses were \$7.3 million, which primarily relate to

costs associated with Rice Energy personnel that provide us support pursuant to our Omnibus Agreement. Incentive unit expense. Incentive unit expense for the nine months ended September 30, 2014 was \$10.5 million. These costs were allocated to us based on our estimate of the expense attributable to our operations. The payment obligation as it relates to the incentive units is with Rice Energy Irrevocable Trust and NGP Rice Holdings LLC and will not be borne by Rice Energy or by us. For periods subsequent to our initial public offering, we are no longer allocated incentive unit expense incurred by Rice Energy.

Equity compensation expense. Equity compensation expense of \$3.0 million for the nine months ended September 30, 2015 related to phantom unit awards granted in connection with our initial public offering. Stock compensation for the nine months ended September 30, 2014 was allocated to us based on our estimate of the expense attributable to our operations. For periods subsequent to our initial public offering, we are no longer allocated stock compensation expense incurred by Rice Energy.

Depreciation expense. Depreciation expense increased \$2.7 million period-over-period due to additional assets placed into service.

Amortization of intangible assets. Amortization of intangible assets for the nine months ended September 30, 2015 was \$1.2 million as compared to \$0.7 million for the nine months ended September 30, 2014. Intangible assets were acquired in connection with the Momentum Acquisition and are amortized over 30 years.

Interest expense. Interest expense decreased \$9.1 million period-over-period. Interest expense incurred in the nine months ended September 30, 2014 was charged by Rice Energy to us. For the nine months ended September 30, 2015, we incurred interest expense solely in connection with our revolving credit facility.

Income tax benefit. The \$8.5 million income tax benefit for the nine months ended September 30, 2014 was a result of Rice Energy's initial public offering and reorganization of Rice Energy as a corporation subject to U.S. federal income tax. Subsequent to our initial public offering, we are not subject to U.S. federal income tax and certain state income taxes due to our status as a partnership.

Discontinued operations, net of tax. The loss on discontinued operations, net of tax of \$3.0 million for the nine months ended September 30, 2014 represents the distribution of our fresh water distribution systems in Washington and Greene Counties, Pennsylvania to Rice Midstream Holdings concurrent with our initial public offering.

Capital Resources and Liquidity

Sources and Uses of Cash

Prior to our initial public offering, our sources of liquidity included funding from Rice Energy and cash generated from operations. We historically participated in Rice Energy's centralized cash management program, whereby excess cash from most of its subsidiaries was maintained in a centralized account. We now maintain our own bank accounts and sources of liquidity; however, we will continue to utilize Rice Energy's cash management system and expertise. In addition to the retention of a portion of the net proceeds from our initial public offering to fund expansion capital expenditures, we expect that capital and liquidity will be provided by operating cash flow, borrowings under our revolving credit facility and, if necessary, proceeds from the issuance of additional equity or debt securities. We expect the combination of these capital resources will be adequate to meet our short-term working capital requirements, long-term capital expenditures program and expected quarterly cash distributions.

The board of directors of our general partner adopted a cash distribution policy pursuant to which we intend to distribute at least the quarterly distribution of \$0.1875 per unit (\$0.75 per unit on an annualized basis) on all of our units to the extent we have sufficient cash after the establishment of cash reserves and the payment of our expenses, including payments to our general partner and its affiliates. We expect our future cash requirements relating to working capital, maintenance capital expenditures and quarterly cash distributions to our partners will be funded from cash flows internally generated from our operations. Our expansion capital expenditures will be funded by borrowings under our revolving credit facility or from potential capital market transactions.

Cash Flow Provided by Operating Activities

Net cash used in operating activities was \$20.4 million for the nine months ended September 30, 2014 compared to net cash provided by operating activities of \$34.6 million for the nine months ended September 30, 2015. The increase in cash flow from operations period-over-period was primarily the result of cash flow generated from our gathering contracts with Rice Energy and third parties during the nine months ended September 30, 2015 with no comparable cash flow during the nine months ended September 30, 2014.

Cash Flow Used in Investing Activities

Our capital expenditures prior to our initial public offering were funded by Rice Energy.

During the nine months ended September 30, 2014, we used cash flows in investing activities totaling \$234.9 million to fund the Momentum Acquisition, the acquisition of the remaining 50% interest in the Alpha Assets and capital expenditures for gathering systems. During the nine months ended September 30, 2015, we used cash flows in investing activities totaling \$91.5 million to fund capital expenditures for the development of our gathering systems. In November, we revised our 2015 capital expenditure budget from \$180.0 million to \$200.0 million.

Cash Flow Provided by Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2014 of \$256.3 million was primarily the result of contributions from Rice Energy. Net cash provided by financing activities for the nine months ended September 30, 2015 of \$48.9 million was primarily the result of proceeds from borrowings under our revolving credit facility, offset by distributions made to our unitholders related to the first and second quarters of 2015.

Capital Requirements

The gathering and compression business is capital intensive, requiring significant investment for the maintenance of existing assets and the development of new systems and facilities. We categorize our capital expenditures as either: Expansion capital expenditures: Expansion capital expenditures are cash expenditures to construct new midstream infrastructure and those expenditures incurred in order to extend the useful lives of our assets, reduce costs, increase revenues or increase system throughput or capacity from current levels, including well connections that increase existing system throughput. Examples of expansion capital expenditures include the construction, development or acquisition of additional gathering pipelines and compressor stations, in each case to the extent such capital expenditures are expected to expand our capacity or our operating income. In the future, if we make acquisitions that increase system throughput or capacity, the associated capital expenditures may also be considered expansion capital expenditures.

Maintenance capital expenditures: Maintenance capital expenditures are cash expenditures (including expenditures for the construction or development of new capital assets or the replacement, improvement or expansion of existing capital assets) made to maintain, over the long term, our capacity or revenue. Examples of maintenance capital expenditures are expenditures to repair, refurbish and replace pipelines, to connect new wells to maintain gathering and compression, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.

Our future expansion capital expenditures may vary significantly from period to period based on the investment opportunities available to us. We expect our future cash requirements relating to working capital, maintenance capital expenditures and quarterly cash distributions to our partners will be funded from cash flows internally generated from our operations. Our growth or expansion capital expenditures will be funded by borrowings under our revolving credit facility or from potential capital market transactions.

Debt Agreements and Contractual Obligations

Revolving Credit Facility

We, as guarantor, and Rice Midstream OpCo LLC, as borrower, entered into a revolving credit facility in connection with the closing of our initial public offering. Our revolving credit facility provides for lender commitments of \$450.0 million, with an additional \$200.0 million of commitments available under an accordion feature subject to lender approval. The credit facility provides for a letter of credit sublimit of \$50.0 million. The credit facility matures on December 22, 2019. As of September 30, 2015, Rice Midstream OpCo had \$72.0 million of borrowings and no letters of credit outstanding under the revolving credit facility.

Principal amounts borrowed are payable on the maturity date, and interest is payable quarterly for base rate loans and at the end of the applicable interest period for Eurodollar loans. Under the revolving credit facility, Rice Midstream OpCo may elect to borrow in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the applicable LIBOR Rate plus an applicable margin ranging from 175 to 275 basis points, depending on the leverage ratio then in effect. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 75

to 175 basis points, depending on the leverage ratio then in effect. We also pay a commitment fee based on the undrawn commitment amount ranging from 35 to 50 basis points.

The revolving credit facility is secured by mortgages and other security interests on substantially all of our properties and guarantees from us and our restricted subsidiaries.

The revolving credit facility may limit our ability to, among other things:

- incur or guarantee additional debt;
- redeem or repurchase units or make distributions under certain circumstances;
- make certain investments and acquisitions;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
 - merge or consolidate with another company; and
- transfer, sell or otherwise dispose of assets.

The revolving credit facility also requires us to maintain the following financial ratios:

- an interest coverage ratio, which is the ratio of our consolidated EBITDA (as defined within the revolving credit facility) to our consolidated current interest expense of at least 2.50 to 1.0 at the end of each fiscal quarter;
- a consolidated total leverage ratio, which is the ratio of consolidated debt to consolidated EBITDA, of not more than 4.75 to 1.0, and after electing to issue senior unsecured notes, a consolidated total leverage ratio of not more than 5.25 to 1.0, and, in each case, with certain increases in the permitted total leverage ratio following the completion of a material acquisition; and
- if we elect to issue senior unsecured notes, a consolidated senior secured leverage ratio, which is the ratio of consolidated senior secured debt to consolidated EBITDA, of not more than 3.50 to 1.0.

Distributions

On August 13, 2015, a cash distribution of \$0.1905 per common and subordinated unit was paid to the Partnership's unitholders related to the second quarter of 2015. On October 23, 2015, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the third quarter of 2015 of \$0.1935 per common and subordinated unit. The cash distribution will be paid on November 12, 2015 to unitholders of record at the close of business on November 3, 2015.

Critical Accounting Policies and Estimates

Our critical accounting policies are described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our 2014 Annual Report. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been included in the notes to our unaudited condensed consolidated financial statements contained in this Quarterly Report. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Condensed Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments. Different amounts could be reported using different assumptions and estimates.

Off-Balance Sheet Arrangements

Currently, we do not have any off-balance sheet arrangements as defined by the SEC. In the ordinary course of business, we enter into various commitment agreements and other contractual obligations, some of which are not recognized in our unaudited condensed consolidated financial statements in accordance with GAAP. See Note 3 to our unaudited condensed consolidated financial statements for a description of our commitments and contingencies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term “market risk” refers to the risk of loss arising from adverse changes in commodity prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Commodity Price Risk

Our gas gathering and compression agreement with Rice Energy provides for fixed-fee structures, and we intend to continue to pursue additional fixed-fee opportunities with Rice Energy and third parties in order to avoid direct commodity price exposure. However, to the extent that our future contractual arrangements with Rice Energy or third parties do not provide for fixed-fee structures, we may become subject to commodity price risk. Moreover, we have some indirect exposure to commodity prices and basis differentials in that persistently low realized sales prices by our customers may cause them to delay drilling or shut in production, which would reduce the volumes of natural gas available for gathering and compression on our systems. Please read “Item 1A. Risk Factors—Risks Related to Our Business—Our exposure to commodity price risk may change over time” in our 2014 Annual Report.

Interest Rate Risk

As of September 30, 2015, Rice Midstream OpCo had \$72.0 million of borrowings and no letters of credit outstanding under the revolving credit facility. Under the revolving credit facility, Rice Midstream OpCo may elect to borrow in Eurodollars or at the base rate. Eurodollar loans will bear interest at a rate per annum equal to the applicable LIBOR Rate plus an applicable margin ranging from 175 to 275 basis points, depending on the leverage ratio then in effect. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank’s reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 75 to 175 basis points, depending on the leverage ratio then in effect.

Our primary interest rate risk exposure results from our revolving credit facility, which has a floating interest rate. The average annual interest rate incurred on our revolving credit facility during the nine months ended September 30, 2015 was approximately 1.9%. A 1.0% increase in each of the applicable average interest rates during the nine months ended September 30, 2015 would have resulted in a \$0.2 million estimated increase in interest expense for that period. As of September 30, 2015, we did not have any derivatives in place to mitigate the effects of interest rate risk. We may implement an interest rate hedging strategy in the future.

Credit Risk

We are dependent on Rice Energy as our most significant current customer, and we expect to derive a substantial majority of our revenues from Rice Energy for the foreseeable future. As a result, any event, whether in our dedicated areas or otherwise, that adversely affects Rice Energy’s production, drilling schedule, financial condition, leverage, market reputation, liquidity, results of operations or cash flows may adversely affect our revenues and cash available for distribution.

Further, we are subject to the risk of non-payment or non-performance by Rice Energy, including with respect to our gathering and compression agreement. We cannot predict the extent to which Rice Energy’s business would be impacted if conditions in the energy industry were to deteriorate, nor can we estimate the impact such conditions would have on Rice Energy’s ability to execute its drilling and development program or to perform under our agreements. Any material non-payment or non-performance by Rice Energy could reduce our ability to make distributions to our unitholders. Please read “Item 1A. Risk Factors—Risks Related to Our Business—Because a substantial majority of our revenue currently is, and over the long term is expected to be, derived from Rice Energy, any development that materially and adversely affects Rice Energy’s operations, financial condition or market reputation could have a material and adverse impact on us” in our 2014 Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our general partner has evaluated, under the supervision and with the participation of our management, including the principal executive officer and principal financial officer of our general partner, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2015. Based upon that evaluation, the principal executive officer and principal financial officer of our general partner concluded that their disclosure controls and procedures were effective as of September 30, 2015.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2015, our general partner completed the implementation of a new accounting application. Our general partner took the necessary steps to monitor and maintain appropriate internal controls during this period of change, including procedures to preserve the integrity of the data converted during the application implementation. Additionally, our general partner provided training related to this application to individuals using the application to carry out their job responsibilities. Our general partner believes the new application will enhance our internal controls over financial reporting due to enhanced automation and integration of related processes. The application change was not undertaken in response to any deficiencies in our internal control over financial reporting. During the quarter ended September 30, 2015, our general partner completed the design and documentation of internal control processes and procedures relating to the new application and modules to supplement and complement existing internal control over certain respective job areas. Testing of the controls related to the new application and accounting functions is ongoing and is included in the scope of our general partner’s assessment of its internal control over financial reporting for 2015, which will be completed in conjunction with the filing of our Annual Report on Form 10-K for the year ending December 31, 2015. Our general partner will continue to monitor controls through and around the application to provide reasonable assurance that controls are effective, and, as a result of the ongoing evaluation, may identify additional changes to improve internal control over financial reporting. There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(t) under the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

The Partnership is party to various legal and/or regulatory proceedings from time to time arising in the ordinary course of business. While the ultimate outcome and impact to the Partnership cannot be predicted with certainty, the Partnership believes that all such matters involve amounts which, if resolved unfavorably, either individually or in the aggregate, will not have a material adverse effect on its financial condition, results of operations or cash flows. When the Partnership determines that a loss is probable of occurring and is reasonably estimable, the Partnership accrues an undiscounted liability for such contingencies based on its best estimate using information available at the time. The Partnership discloses contingencies where an adverse outcome may be material, or in the judgment of management, the matter should otherwise be disclosed.

Environmental Proceedings

In September 2015, the Partnership received a Notice of Proposed Assessment from the Pennsylvania Department of Environmental Protection (“DEP”) of proposed civil penalties related to seven Notices of Violations (“NOVs”) received in 2015 under the Clean Streams Law, the 2012 Oil and Gas Act, and the Solid Waste Management Act. Prior to and since receiving the NOVs, the Partnership has cooperated with the DEP and in certain cases remediated the affected areas under the NOVs. While resolution of the NOVs may result in monetary sanctions of more than \$100,000, the Partnership does not expect the penalties, individually or in the aggregate, to have a material impact on its financial results.

Item 1A. Risk Factors

Our business faces many risks. Any of the risks discussed elsewhere in this Quarterly Report and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. There have been no material changes to our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2014 and our June 30, 2015 Quarterly Report, except for the additional or updated risk factors set forth below:

The demand for the services provided by our water distribution business could decline as a result of several factors. Our recently acquired water business includes fresh water distribution for use in our customers’ natural gas, NGL and oil exploration and production activities. Water is an essential component of natural gas, NGL and oil production during the drilling, and in particular, the hydraulic fracturing process. As a result, the demand for our fresh water distribution and produced water handling services is tied to the level of drilling and completion activity of our customers, including Rice Energy, which is currently and will continue to be our primary customer for such services. More specifically, the demand for our water distribution and produced water handling services could be adversely affected by any reduction in or slowing of Rice Energy’s or other customers’ well completions, any reduction in produced water attributable to completion activity or to the extent that Rice Energy or other customers complete wells with shorter lateral lengths, which would lessen the volume of fresh water required for completion activity. Additionally, we depend on Rice Energy to source a portion of the fresh water we distribute. The availability of our and Rice Energy’s water supply may be limited due to reasons such as prolonged drought. Restrictions on the ability to obtain water or changes in wastewater disposal requirements may incentivize water recycling efforts by oil and natural gas producers, which would decrease the demand for our fresh water distribution services.

Item 6. Exhibits

Exhibit Number	Exhibit
3.1	Certificate of Formation of Rice Midstream Partners LP (incorporated by reference to Exhibit 3.1 of the Partnership’s draft registration statement on Form S-1 (File No. 377-00804) filed with the Commission on October 3, 2014).
3.2	Amended and Restated Agreement of Limited Partnership of Rice Midstream Partners LP, dated December 22, 2014, by and between Rice Midstream Management LLC, as the General Partner, and Rice Midstream Holdings LLC, as the Organizational Limited Partner LLC (incorporated by reference to Exhibit 3.1 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on December 22, 2014).
3.3	Certificate of Formation of Rice Midstream Management LLC (incorporated by reference to Exhibit 3.3 of the Partnership’s draft registration statement on Form S-1 (File No. 377-00804) filed with the Commission on October 3, 2014).
3.4	Amended and Restated Limited Liability Company Agreement of Rice Midstream Management LLC, dated as of December 22, 2014, by Rice Midstream Holdings LLC, as the Sole Member (incorporated by reference to Exhibit 3.2 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on December 22, 2014).
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer.
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer.
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101.DEF*	XBRL Definition Linkbase Document.
101.LAB*	XBRL Labels Linkbase Document.
101.PRE*	XBRL Presentation Linkbase Document.

* Filed herewith.
 Furnished herewith. Pursuant to SEC Release No. 33-8212, this certification will be treated as “accompanying” this Quarterly Report on Form 10-Q and not “filed” as part of such report for purposes of Section 18 of the Securities Exchange Act of 1933, as amended (“Exchange Act”), or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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.

RICE MIDSTREAM PARTNERS LP

Date: November 5, 2015

By: Rice Midstream Management LLC, its general partner
By: /s/ Daniel J. Rice IV
Daniel J. Rice IV
Director, Chief Executive Officer

Date: November 5, 2015

By: Rice Midstream Management LLC, its general partner
By: /s/ Grayson T. Lisenby
Grayson T. Lisenby
Senior Vice President and Chief Financial Officer

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GLOSSARY OF TERMS

- “Capacity.” Pipeline capacity available to transport natural gas based on system facilities and design conditions.
- “Condensate.” Similar to crude oil and produced in association with natural gas gathering and processing.
- “Hydrocarbon.” An organic compound containing only carbon and hydrogen.
- “MDth.” One thousand dekatherms.
- “MDth/d.” One thousand dekatherms per day.
- “MMDth/d.” One million dekatherms per day.
- “Natural gas.” Hydrocarbon gas found in the earth, composed of methane, ethane, butane, propane and other gases.
- “NGLs.” Natural gas liquids, which consist primarily of ethane, propane, isobutane, normal butane and natural gasoline.
- “Oil.” Crude oil and condensate.
- “SEC.” United States Securities and Exchange Commission.
- “TETCO.” Spectra Energy’s Texas Eastern interstate pipeline.
- “Throughput.” The volume of product passing through a pipeline, plant, terminal or other facility.