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Rice Midstream Partners LP
Form 10-Q
August 03, 2017

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 June 30, 2017

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.)

2200 Rice Drive

15317

Canonsburg, Pennsylvania

(Address of principal executive offices)

(Zip code)

(724) 271-7200

(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)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At August 1, 2017, there were 102,303,108 units (consisting of 73,549,485 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 “could,” “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “continue,” 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, 2016 (the “2016 Annual Report”) and in this Quarterly Report on file with the Securities and Exchange Commission (the “SEC”).

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;
- Rice Energy’s pending merger with EQT corporation;
- our business strategy;
- realized natural gas, natural gas liquids (“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 and water services 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 and water services businesses. 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 2016 Annual 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;
- “our general partner” refers to Rice Midstream Management LLC, a subsidiary of Rice Energy;
- “Rice Energy” refers to Rice Energy Inc. and its consolidated subsidiaries;
- “GP Holdings” refers to Rice Midstream GP Holdings LP, a subsidiary of Rice Energy;
- “Vantage” refers collectively to Vantage Energy, LLC and Vantage Energy II, LLC;
- “Vantage Midstream Entities” refers collectively to Vantage Energy II Access, LLC and Vista Gathering, LLC; and
- “EQT” refers to EQT Corporation.

PART I

Rice Midstream Partners LP
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash	\$ 12,196	\$ 21,834
Accounts receivable	9,058	8,758
Accounts receivable - affiliate	24,996	11,838
Prepaid expenses, deposits and other	130	64
Total current assets	46,380	42,494
Long-term assets:		
Property and equipment, net	860,011	805,027
Deferred financing costs, net	10,493	12,591
Goodwill	494,580	494,580
Intangible assets, net	43,717	44,525
Total assets	\$ 1,455,181	\$ 1,399,217
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	\$ 9,376	\$ 4,172
Accrued capital expenditures	16,288	9,074
Other accrued liabilities	7,313	8,376
Total current liabilities	32,977	21,622
Long-term liabilities:		
Long-term debt	206,000	190,000
Other long-term liabilities	6,283	5,189
Total liabilities	245,260	216,811
Partners' capital:		
Common units (73,549,485 and 73,519,133 issued and outstanding at June 30, 2017 and December 31, 2016, respectively)	1,295,384	1,276,036
Subordinated units (28,753,623 issued and outstanding at June 30, 2017 and December 31, 2016)	(85,463)	(93,630)
Total partners' capital	1,209,921	1,182,406
Total liabilities and partners' capital	\$ 1,455,181	\$ 1,399,217

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)

(in thousands, except unit data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Affiliate	\$62,474	\$32,622	\$115,271	\$77,007
Third-party	9,903	13,925	19,856	24,083
Total operating revenues	72,377	46,547	135,127	101,090
Operating expenses:				
Operation and maintenance expense	9,701	4,141	17,880	12,752
General and administrative expense ⁽¹⁾	7,199	5,787	13,038	10,463
Depreciation expense	7,543	6,855	15,164	12,225
Acquisition costs	494	—	494	73
Amortization of intangible assets	406	403	808	811
Other expense	20	361	133	149
Total operating expenses	25,363	17,547	47,517	36,473
Operating income	47,014	29,000	87,610	64,617
Other income	30	—	41	—
Interest expense	(1,934)	(920)	(3,877)	(1,967)
Amortization of deferred finance costs	(1,050)	(144)	(2,099)	(288)
Net income	\$44,060	\$27,936	\$81,675	\$62,362
Calculation of limited partner interest in net income:				
Net income	\$44,060	\$27,936	\$81,675	\$62,362
Less: General partner interest in net income attributable to incentive distribution rights	1,591	113	2,830	113
Limited partner net income	\$42,469	\$27,823	\$78,845	\$62,249
Net income per limited partner unit:				
Common units (basic)	\$0.42	\$0.38	\$0.77	\$0.86
Common units (diluted)	\$0.42	\$0.38	\$0.77	\$0.86
Subordinated units (basic and diluted)	\$0.42	\$0.38	\$0.77	\$0.87
Cash distributions declared per limited partner unit:				
Common units	\$0.2711	\$0.2235	\$0.5319	\$0.4335
Subordinated units	\$0.2711	\$0.2235	\$0.5319	\$0.4335

General and administrative expense includes charges from Rice Energy of \$6.3 million and \$4.8 million for the (1)three months ended June 30, 2017 and 2016, respectively, and \$11.2 million and \$9.0 million for the six months ended June 30, 2017 and 2016, respectively.

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)

	Six Months Ended June 30,	
(in thousands)	2017	2016
Cash flows from operating activities:		
Net income	\$81,675	\$62,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	15,164	12,225
Amortization of intangibles	808	811
Amortization of deferred financing costs	2,099	288
Equity compensation expense	260	2,100
Changes in operating assets and liabilities:		
Accounts receivable and receivable from affiliate	(13,458)	(8,031)
Prepaid expenses and other assets	(66)	(46)
Accounts payable and payable to affiliate	1,592	26
Accrued liabilities and other	(1,216)	4,929
Net cash provided by operating activities	86,858	74,664
Cash flows from investing activities:		
Capital expenditures	(58,036)	(75,019)
Net cash used in investing activities	(58,036)	(75,019)
Cash flows from financing activities:		
Proceeds from borrowings	16,000	43,000
Repayments of borrowings	—	(186,000)
Proceeds from ATM program, net	—	15,782
Proceeds from June 2016 equity offering, net	—	164,150
Additions to deferred financing costs	(40)	(62)
Contributions from parent	—	39
Distributions to related parties	(16,829)	(11,690)
Distributions to public unitholders	(37,591)	(17,138)
Net cash (used in) provided by financing activities	(38,460)	8,081
Net (decrease) increase in cash	(9,638)	7,726
Cash at the beginning of the year	21,834	7,597
Cash at the end of the period	\$12,196	\$15,323

(in thousands)
Supplemental disclosure of cash flow information:

Capital expenditures financed by accounts payable	\$5,076	\$3,128
Capital expenditures financed by accrued capital expenditures	\$16,288	\$6,684

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)	Limited Partners	Subordinated & Incentive Distribution Right Holders	Total
	Common		
Balance, January 1, 2016	\$624,557	\$ (112,723)	\$511,834
Contributions from parent	—	39	39
Equity compensation expense	950	—	950
Distributions to unitholders	(17,140)	(11,688)	(28,828)
Common units issued in June equity 2016, net of offering costs	164,150	—	164,150
Common units issued in ATM program, net of offering costs	15,782	—	15,782
Net income	37,338	25,024	62,362
Balance, June 30, 2016	\$825,637	\$ (99,348)	\$726,289
Balance, January 1, 2017	\$1,276,036	\$ (93,630)	\$1,182,406
Equity compensation expense	260	—	260
Distributions to unitholders	(37,591)	(16,829)	(54,420)
Net income	56,679	24,996	81,675
Balance, June 30, 2017	\$1,295,384	\$ (85,463)	\$1,209,921

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

Rice Midstream Partners LP (the “Partnership”) is a Delaware limited partnership formed by Rice Energy Inc. (“Rice Energy”) in August 2014. References in these unaudited condensed consolidated financial statements to Rice Energy refer collectively to “Rice Energy” and its consolidated subsidiaries, other than the Partnership and its consolidated subsidiaries.

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 (the “Exchange Act”). 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 June 30, 2017 and December 31, 2016, its condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016, and its statements of cash flows and partners’ capital for the six months ended June 30, 2017 and 2016.

Proposed Rice Energy Merger with EQT Corporation

On June 19, 2017, Rice Energy entered into an Agreement and Plan of Merger (the “Merger Agreement”) with EQT Corporation, a Pennsylvania corporation (“EQT”), and Eagle Merger Sub I, Inc., a Delaware corporation and indirect, wholly-owned subsidiary of EQT (“Merger Sub”), pursuant to which EQT will acquire Rice Energy in exchange for a combination of shares of EQT common stock and cash. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will be merged with and into Rice Energy, with Rice Energy continuing as the surviving entity and an indirect, wholly-owned subsidiary of EQT (the “Merger”). Immediately after the effective time of the Merger (the “Effective Time”), Rice Energy shall be merged with and into an indirect, wholly-owned limited liability company subsidiary of EQT (“LLC Sub”), with LLC Sub continuing as the surviving entity in such merger as an indirect, wholly-owned subsidiary of EQT. The completion of the Merger is subject to satisfaction or waiver of several conditions, including approval by the stockholders of Rice Energy and EQT and certain customary regulatory and other closing conditions, and is expected to close in the fourth quarter of 2017. As a result of the Merger, immediately after the Effective Time, EQT will acquire beneficial ownership, indirectly through Rice Energy Operating LLC, a Delaware limited liability company and a subsidiary of Rice Energy (“REO”), of 3,623 common units representing limited partnership interests in the Partnership, and 28,753,623 subordinated units representing limited interests in the Partnership, and all incentive distribution rights of the Partnership. Additionally, as a result of the Merger, EQT will indirectly own and control, indirectly through REO, Rice Midstream Management LLC, a Delaware limited liability company and the general partner of the Partnership (the “General Partner”). EQT will therefore retain the right to appoint all members of the board of directors of the General Partner and will control the Partnership subsequent to the close of the Merger.

The Merger Agreement provides for certain termination rights for both Rice Energy and EQT, including the right of either party to terminate the Merger Agreement if the Merger is not consummated by February 19, 2018 (which may be extended by either party to May 19, 2018 under certain circumstances). Upon termination of the Merger Agreement under certain specified circumstances, Rice Energy may be required to pay EQT, or EQT may be required to pay Rice Energy, a termination fee of \$255.0 million. In addition, if the Merger Agreement is terminated because of a failure of a party’s shareholders to approve the proposals required to complete the Merger, that party may be required to reimburse the other party for its transaction expenses in an amount equal to \$67.0 million.

2. Acquisitions

On September 26, 2016, the Partnership entered into a Purchase and Sale Agreement by and between the Partnership and Rice Energy (the “Midstream Purchase Agreement”). Pursuant to the terms of the Midstream Purchase Agreement, and following the close of Rice Energy’s acquisition of Vantage Energy, LLC and Vantage Energy II, LLC (collectively, “Vantage”) and their subsidiaries (the “Vantage Acquisition”), on October 19, 2016, the Partnership acquired

from Rice Energy all of the outstanding membership interests of Vantage Energy II Access, LLC and Vista Gathering, LLC (the “Vantage Midstream Entities”). The Vantage Midstream Entities own midstream assets, including approximately 30 miles of dry gas gathering and compression assets and water assets. In consideration for the acquisition of the Vantage Midstream Entities (the “Vantage Midstream Asset Acquisition”), the Partnership paid Rice Energy \$600.0 million in aggregate consideration, which the Partnership paid in cash with the net proceeds of its private placement of common units (the “2016 Private Placement”) of \$441.0 million and borrowings under its revolving credit facility (defined in Note 3) of \$159.0 million. The preliminary purchase price allocation ascribed approximately \$144.6 million to property and equipment and \$455.4 million to goodwill. The Partnership’s acquisition of the Vantage Midstream Entities from Rice Energy is accounted for as a combination of entities

under common control at historical cost. As the Vantage Midstream Asset Acquisition occurred concurrently with the Vantage Acquisition, no predecessor period existed which would warrant retrospective recast of our financial statements.

The preliminary purchase price allocation was performed by Rice Energy. Rice Energy expects to complete the purchase price allocation once it has received all of the necessary information, but no later than one year from the Vantage Acquisition, during which time the value of the assets may be revised as appropriate. The fair values of the assets acquired were determined using various valuation techniques, including the cost approach. The assumed purchase price and fair values have been prepared with the assistance of external specialists, and represent Rice Energy's best estimate of the fair values of the assets acquired as of this date. Goodwill of \$455.4 million related to the value attributed to additional growth opportunities, synergies and operating leverage within the Partnership's gathering and compression segment.

Post-Acquisition Operating Results

The Vantage Midstream Entities contributed the following to the Partnership's consolidated operating results for the three and six months ended June 30, 2017.

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
(in thousands)		
Operating revenues	\$ 15,653	\$ 27,833
Net income	\$ 11,509	\$ 19,203

Unaudited Pro Forma Information

The following unaudited pro forma combined financial information presents the Partnership's results as though the acquisition of the Vantage Midstream Entities and the 2016 Private Placement had been completed at January 1, 2016.

	Pro Forma	
	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
(in thousands, except per unit data)		
Operating revenues	\$ 61,364	\$ 134,514
Limited partner net income	\$ 36,294	\$ 81,382
Earnings per common unit (basic)	\$ 0.49	\$ 0.98
Earnings per common unit (diluted)	\$ 0.49	\$ 0.97
Earnings per subordinated unit	\$ 0.50	\$ 0.98

3. Long-Term Debt

On December 22, 2014, Rice Midstream OpCo LLC, the Partnership's wholly-owned subsidiary ("Rice Midstream OpCo"), entered into a revolving credit agreement (as amended, the "revolving credit facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders.

As of June 30, 2017, the revolving credit facility provided for lender commitments of \$850.0 million, with an additional \$200.0 million of commitments available under an accordion feature, subject to lender approval. As of June 30, 2017, Rice Midstream OpCo had \$206.0 million borrowings outstanding and no letters of credit outstanding under this facility, resulting in availability of \$644.0 million. The average daily outstanding balance of the credit facility was approximately \$194.0 million and interest was incurred on the facility at a weighted average annual interest rate of 2.9% during the six months ended June 30, 2017. The revolving credit facility is available to fund working capital requirements and capital expenditures, to purchase assets, to pay distributions, to repurchase units and for general partnership purposes. The Partnership and its restricted subsidiaries are the guarantors of the obligations

under the revolving credit facility, which 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. 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 200 to 300 basis points, depending on the leverage ratio then in effect, and 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 100 to 200 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 June 30, 2017 and represents a Level 1 measurement. Rice Midstream OpCo also pays a commitment fee based on the undrawn commitment amount ranging from 37.5 to 50 basis points.

The Partnership's revolving credit facility also contains certain financial covenants and customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the revolving credit facility to be immediately due and payable. The Partnership was in compliance with such covenants and ratios effective as of June 30, 2017.

Interest paid in cash was approximately \$2.1 million and \$4.0 million for the three and six months ended June 30, 2017, respectively, and \$1.4 million and \$2.2 million for the three and six months ended June 30, 2016, respectively.

4. Commitments and Contingencies

From time to time the Partnership is party to various legal and/or regulatory proceedings 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 are without merit and 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.

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 six months ended June 30, 2017 was \$0.3 million and \$0.7 million, respectively, and \$0.4 million and \$0.8 million for the three and six months ended June 30, 2016, respectively. Future payments for this equipment as of June 30, 2017 totaled \$5.1 million (remainder of 2017: \$1.5 million; 2018: \$1.2 million; 2019: \$1.2 million; 2020: \$0.6 million; 2021: \$0.3 million and thereafter: \$0.3 million).

Water Assets Conveyance

In consideration for the acquisition of Rice Energy's Pennsylvania and Ohio fresh water distribution systems and related facilities (the "Water Assets"), on November 4, 2015, the Partnership paid Rice Energy \$200.0 million in cash plus an additional amount that would be paid if certain of the conveyed systems' capacities increased 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 and Sale Agreement, by and between the Partnership and Rice Energy dated November 4, 2015. The Partnership has not recorded a contingent liability associated with the additional consideration as the required capacity increases were not considered probable as of June 30, 2017.

5. Partners' Capital

The following table presents the Partnership's common and subordinated units issued from January 1, 2016 through June 30, 2017:

	Limited Partners		
	Common	Subordinated	Total
Balance, January 1, 2016	42,163,749	28,753,623	70,917,372
Equity offering in June 2016	9,200,000	—	9,200,000
Equity offering in October 2016	20,930,233	—	20,930,233
Common units issued under ATM program	944,700	—	944,700
Vested phantom units, net	280,451	—	280,451
Balance, December 31, 2016	73,519,133	28,753,623	102,272,756
Vested phantom units, net	30,352	—	30,352
Balance, June 30, 2017	73,549,485	28,753,623	102,303,108

As of June 30, 2017, GP Holdings owned approximately 28% of the Partnership consisting of 3,623 common units, 28,753,623 subordinated units and all of the incentive distribution rights.

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 GP Holdings LLC ("GP 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 Rice Midstream Partners LP 2014 Long-Term Incentive Plan (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.

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The following table presents Partnership's calculation of net income per limited partner unit for common and subordinated limited partner units.

(in thousands, except unit data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$44,060	\$ 27,936	\$81,675	\$ 62,362
Less: General partner interest in net income attributable to incentive distribution rights	1,591	113	2,830	113
Limited partner net income	\$42,469	\$ 27,823	\$78,845	\$ 62,249
Net income allocable to common units	\$30,530	\$ 16,870	\$56,679	\$ 37,338
Net income allocable to subordinated units	11,939	10,953	22,166	24,911
Limited partner net income	\$42,469	\$ 27,823	\$78,845	\$ 62,249
Weighted-average limited partner units outstanding - basic:				
Common units	73,530,644	44,480,590	73,524,924	43,322,170
Subordinated units	28,753,623	28,753,623	28,753,623	28,753,623
Total	102,284,267	73,234,213	102,278,547	72,075,793
Weighted-average limited partner units outstanding - diluted:				
Common units ⁽¹⁾	73,547,394	44,809,466	73,544,623	43,608,573
Subordinated units	28,753,623	28,753,623	28,753,623	28,753,623
Total	102,301,017	73,563,089	102,298,246	72,362,196
Net income per limited partner unit - basic:				
Common units	\$0.42	\$ 0.38	\$0.77	\$ 0.86
Subordinated units	0.42	0.38	0.77	0.87
Total	\$0.42	\$ 0.38	\$0.77	\$ 0.86
Net income per limited partner unit - diluted:				
Common units	\$0.42	\$ 0.38	\$0.77	\$ 0.86
Subordinated units ⁽²⁾	0.42	0.38	0.77	0.87
Total	\$0.42	\$ 0.38	\$0.77	\$ 0.86
Cash distributions declared per limited partner unit: ⁽³⁾				
Common units	\$0.2711	\$ 0.2235	\$0.5319	\$ 0.4335
Subordinated units	0.2711	0.2235	0.5319	0.4335
Total	\$0.2711	\$ 0.2235	\$0.5319	\$ 0.4335

Diluted weighted-average limited partner common units includes the effect of 16,748 and 19,702 units for the three (1) and six months ended June 30, 2017, respectively, and 328,876 and 286,403 units for the three and six months ended June 30, 2016, respectively, in each case related to the LTIP.

Basic and diluted income per limited partner unit is presented as if all earnings for the period had been distributed.

(2) While it appears that more income is allocated to the subordinated unitholders than the common unitholders for the six months ended June 30, 2016, our partnership agreement prevents us from making a distribution to the subordinated unitholders in excess of those to the common unitholders.

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

Within 60 days after the end of each quarter, it is the Partnership's intent to distribute to the holders of common and subordinated units on a quarterly basis the minimum quarterly distribution of \$0.1875 per unit (or \$0.75 on an annualized basis)

to the extent it has sufficient cash after the establishment of cash reserves and the payment of its expenses, including payments to its general partner and affiliates.

Subordinated Units

GP 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 GP 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 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 May 18, 2017, a cash distribution of \$0.2608 per common and subordinated unit was paid to the Partnership's unitholders related to the first quarter of 2017. On July 20, 2017, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the second quarter of 2017 of \$0.2711 per common and subordinated unit. The cash distribution will be paid on August 17, 2017 to unitholders of record at the close of business on August 8, 2017. Also on August 17, 2017, a cash distribution of \$1.6 million will be made to GP Holdings related to its incentive distribution rights in the Partnership based upon the level of distribution paid per common and subordinated unit.

7. Financial Information by Business Segment

The Partnership operates in two business segments: (i) gathering and compression and (ii) water services. The gathering and compression segment provides natural gas gathering and compression services for Rice Energy and third parties in the Appalachian Basin. The water services segment is engaged in the provision of water services to support well completion activities and to collect and recycle or dispose of flowback and produced water for Rice Energy and third parties in the Appalachian Basin.

Business segments are evaluated for their contribution to the Partnership's consolidated results based on operating income, which is defined as segment operating revenues less operating expenses. Other income and expenses, interest and income taxes are managed on a consolidated basis. The segment accounting policies are the same as those described in Note 1 to the Partnership's annual report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report").

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The operating results of the Partnership's reportable segments were as follows for the three months ended June 30, 2017.

(in thousands)	Three Months Ended June 30, 2017		
	Gathering and Compression	Water Services	Consolidated Total
Total operating revenues	\$46,583	\$25,794	\$ 72,377
Total operating expenses	13,715	11,648	25,363
Operating income	\$32,868	\$ 14,146	\$ 47,014

Depreciation expense	\$3,237	\$4,306	\$ 7,543
Capital expenditures for segment assets	\$27,463	\$2,068	\$ 29,531

The operating results of the Partnership's reportable segments were as follows for the three months ended June 30, 2016.

(in thousands)	Three Months Ended June 30, 2016		
	Gathering and Compression	Water Services	Consolidated Total
Total operating revenues	\$30,036	\$16,511	\$ 46,547
Total operating expenses	9,491	8,056	17,547
Operating income	\$20,545	\$8,455	\$ 29,000

Depreciation expense	\$2,685	\$4,170	\$ 6,855
Capital expenditures for segment assets	\$36,840	\$1,936	\$ 38,776

The operating results of the Partnership's reportable segments were as follows for the six months ended June 30, 2017.

(in thousands)	Six Months Ended June 30, 2017		
	Gathering and Compression	Water Services	Consolidated Total
Total operating revenues	\$88,585	\$46,542	\$ 135,127
Total operating expenses	25,180	22,337	47,517
Operating income	\$63,405	\$24,205	\$ 87,610

Depreciation expense	\$6,507	\$8,657	\$ 15,164
Capital expenditures for segment assets	\$54,083	\$3,953	\$ 58,036

The operating results of the Partnership's reportable segments were as follows for the six months ended June 30, 2016.

(in thousands)	Six months ended June 30, 2016		
	Gathering and Compression	Water Services	Consolidated Total
Total operating revenues	\$56,836	\$44,254	\$ 101,090
Total operating expenses	17,182	19,291	36,473
Operating income	\$39,654	\$24,963	\$ 64,617

Depreciation expense	\$4,620	\$7,605	\$ 12,225
Capital expenditures for segment assets	\$71,701	\$3,318	\$ 75,019

The assets of the Partnership's reportable segments were as follows as of June 30, 2017.

	As of June 30, 2017		
(in thousands)	Gathering and Compression	Water Services	Consolidated Total
Segment assets	\$ 1,325,349	\$ 129,832	\$ 1,455,181
Goodwill	\$ 494,580	\$—	\$ 494,580

The assets of the Partnership's reportable segments were as follows as of December 31, 2016.

	As of December 31, 2016		
(in thousands)	Gathering and Compression	Water Services	Consolidated Total
Segment assets	\$ 1,260,681	\$ 138,536	\$ 1,399,217
Goodwill	\$ 494,580	\$—	\$ 494,580

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 its unitholders. As such, the Partnership does not record a provision for income taxes in the current period. Prior to the Partnership's initial public offering in December 2014 (the "IPO"), the Partnership's income was included as part of Rice Energy's consolidated federal tax return.

9. Related Party Transactions

In the ordinary course of business, the Partnership has transactions with affiliated companies. During the six months ended June 30, 2017 and 2016, related parties included Rice Energy and certain of its subsidiaries. Prior to the IPO, the push-down impact of the transactions was recorded in the consolidated statements of operations, and, as no cash settlement occurred, all transactions with Rice Energy and its subsidiaries were recorded in parent net equity. On December 22, 2014, upon completion of the IPO, the Partnership entered into an omnibus agreement (the "Omnibus Agreement") with its General Partner, Rice Energy, Rice Poseidon Midstream LLC and Rice Midstream Holdings LLC. 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.

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 fixed-fee gas gathering and compression agreement that runs until December 22, 2029 (the "Gas Gathering and Compression Agreement") with Rice Drilling B LLC, a subsidiary of Rice Energy, and Alpha Shale Resources LP, pursuant to which the Partnership gathers Rice Energy's natural gas and provides compression services on the Partnership's gathering systems located in Washington and Greene Counties, Pennsylvania. As of June 30, 2017, the Partnership charges 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 June 30, 2017 and any future acreage it acquires within Washington and Greene Counties, Pennsylvania, excluding certain production subject to a pre-existing third-party dedication.

In connection with the closing of the acquisition of the Water Assets, the Partnership entered into amended and restated water services agreements with Rice Energy (the “Water Services Agreements”), whereby the Partnership has 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 and produced water for Rice Energy within areas of dedication in defined service areas in Pennsylvania and Ohio. The initial terms of the Water Services Agreements are until December 22, 2029 and from month to month thereafter. Under the agreements, Rice Energy will pay the Partnership (i) a variable fee, based on volumes of water supplied, for freshwater deliveries by pipeline directly to the well site, subject to annual Consumer Price Index adjustments and (ii) a produced water hauling fee of actual out-of-pocket cost incurred by the Partnership, plus a 2% margin.

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. 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. 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. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing.” In May 2016, the FASB issued ASU 2016-11, “Revenue from Contracts with Customers (Topic 606) and Derivatives and Hedging (Topic 815) – Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting” and ASU 2016-12, “Revenue from Contracts with Customers (Topic 606) – Narrow Scope Improvements and Practical Expedients.” These updates do not change the core principle of the guidance in Topic 606 (as amended by ASU 2014-09), but rather provide further guidance with respect to the implementation of ASU 2014-09. The effective date for ASU 2016-10, 2016-11, 2016-12 and ASU 2014-09, as amended by ASU 2015-14, is for annual reporting periods beginning after December 15, 2017, including interim periods within those years. In preparation for the adoption of the new standard in the fiscal year beginning January 2018, the Partnership continues to evaluate contract terms and potential impacts of the five-step model specified by the new guidance. That five-step model includes: (1) determination of whether a contract between two or more parties that creates legally enforceable rights and obligations exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied. The Company anticipates adopting the standard using the modified retrospective approach. The Partnership is currently evaluating individual customer contracts within each of its business segments and documenting changes to its accounting policies and controls as it continues to evaluate the impact of adoption of this standard.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” ASU 2016-02 requires, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Partnership continues to evaluate a representative sample of agreements, including existing leases, to assess the impact of the new guidance on its financial statements.

In March 2016, FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting.” ASU 2016-09 affects entities that issue share-based payment awards to their employees. ASU 2016-09 is designed to simplify several aspects of accounting for share-based payment award transactions, including: (a) income tax consequences, (b) classification of awards as either equity or liabilities, (c) classification on the statement of cash

flows and (d) forfeiture rate calculations. The Partnership adopted ASU 2016-09 on January 1, 2017 and determined that the standard did not have a material impact on the condensed consolidated financial statements. In January 2017, the FASB issued ASU 2017-01 “Business Combinations (Topic 805): Clarifying the Definition of a Business,” which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Partnership adopted this ASU on January 1, 2017, and has

determined that the new ASU could potentially have a material impact on future consolidated financial statements for acquisitions that are not considered to be businesses.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test of Goodwill Impairment." ASU 2017-04 simplifies the quantitative goodwill impairment test requirements by eliminating the requirement to calculate the implied fair value of goodwill (Step 2 of the current goodwill impairment test). Instead, a company would record an impairment charge based on the excess of a reporting unit's carrying value over its fair value (measured in Step 1 of the current goodwill impairment test). This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. Entities will apply the standard's provisions prospectively. The Partnership adopted ASU 2017-04 on January 1, 2017 and determined that this standard will not have a material quantitative effect on the financial statements in the future, unless an impairment charge is necessary.

In May 2017, the FASB issued ASU 2017-09, "Stock Compensation (Topic 718): Scope of Modification Accounting". ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Partnership is currently evaluating the impact that this guidance will have on its consolidated financial statements.

11. Subsequent Events

On July 20, 2017, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the second quarter of 2017 of \$0.2711 per common and subordinated unit. The cash distribution will be paid on August 17, 2017 to unitholders of record at the close of business on August 8, 2017. Also on August 17, 2017, a cash distribution of \$1.6 million will be made to GP Holdings related to its incentive distribution rights in the Partnership based upon the level of distribution paid per common and subordinated unit.

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 2016 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 (NYSE: RICE) to own, operate, develop and acquire midstream assets in the Appalachian Basin. Our assets consist of natural gas gathering, compression and water services assets servicing high quality producers in the rapidly developing dry gas cores of the Marcellus and Utica Shales. We provide our services under long-term, fee-based contracts, primarily to Rice Energy in its core operating areas.

We operate in two business segments: (i) gathering and compression and (ii) water services. The gathering and compression segment provides natural gas gathering and compression services for Rice Energy and third parties in the Appalachian Basin. The water services segment is engaged in the provision of water services to support well completion activities and to collect and recycle or dispose of flowback and produced water for Rice Energy and third parties in the Appalachian Basin.

Vantage Midstream Asset Acquisition

On September 26, 2016, we entered into a Purchase and Sale Agreement by and between us and Rice Energy (the "Midstream Purchase Agreement"). Pursuant to the terms of the Midstream Purchase Agreement, and following the close of Rice Energy's acquisition of Vantage and their subsidiaries (the "Vantage Acquisition"), on October 19, 2016, we acquired from Rice Energy all of the outstanding membership interests of the Vantage Midstream Entities. The Vantage Midstream Entities own midstream assets, including approximately 30 miles of dry gas gathering and compression assets. In consideration for the acquisition of the Vantage Midstream Entities, we paid Rice Energy \$600.0 million in aggregate consideration, which we paid in cash with the net proceeds from our private placement of common units (the "Private Placement") and borrowings under our revolving credit facility.

Proposed Rice Energy Merger with EQT Corporation

On June 19, 2017, Rice Energy entered into an Agreement and Plan of Merger (the "Merger Agreement") with EQT and Eagle Merger Sub I, Inc., a Delaware corporation and indirect, wholly-owned subsidiary of EQT ("Merger Sub"), pursuant to which EQT will acquire Rice Energy in exchange for a combination of shares of EQT common stock and cash. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will be merged with and into Rice Energy, with Rice Energy continuing as the surviving entity and an indirect, wholly-owned subsidiary of EQT (the "Merger"). Immediately after the effective time of the Merger (the "Effective Time"), Rice Energy shall be merged with and into an indirect, wholly-owned limited liability company subsidiary of EQT ("LLC Sub"), with LLC Sub continuing as the surviving entity in such merger as an indirect, wholly-owned subsidiary of EQT. The completion of the Merger is subject to satisfaction or waiver of several conditions, including approval by the stockholders of Rice Energy and EQT and certain customary regulatory and other closing conditions, and is expected to close in the fourth quarter of 2017.

As a result of the Merger, immediately after the Effective Time, EQT will acquire beneficial ownership, indirectly through Rice Energy Operating LLC, a Delaware limited liability company and a subsidiary of Rice Energy ("REO"), of 3,623 common units representing limited partnership interests in the Partnership, and 28,753,623 subordinated units representing limited interests in the Partnership, and all incentive distribution rights of the Partnership. Additionally, as a result of the Merger, EQT will indirectly own and control, indirectly through REO, Rice Midstream Management LLC, a Delaware limited liability company and our General Partner. EQT will therefore retain the right to appoint all members of the board of directors of the general partner of the Partnership ("General Partner") and will control the

Partnership subsequent to the close of the Merger.

The Merger Agreement provides for certain termination rights for both Rice Energy and EQT, including the right of either party to terminate the Merger Agreement if the Merger is not consummated by February 19, 2018 (which may be extended by either party to May 19, 2018 under certain circumstances). Upon termination of the Merger Agreement under

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certain specified circumstances, Rice Energy may be required to pay EQT, or EQT may be required to pay Rice Energy, a termination fee of \$255.0 million. In addition, if the Merger Agreement is terminated because of a failure of a party's shareholders to approve the proposals required to complete the Merger, that party may be required to reimburse the other party for its transaction expenses in an amount equal to \$67.0 million.

Our Operations

Gas Gathering and Compression

Our gas gathering and compression assets are located within highly-concentrated acreage positions in the dry gas core of the Marcellus Shale and, as of June 30, 2017, consisted of a 3.3 MMDth/d high-pressure dry gas gathering system and associated compression in Washington County, Pennsylvania and a 1.7 MMDth/d high-pressure dry gas gathering system in Greene County, 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, resulting in what Rice Energy believes to be among the highest rate of return wells in the Appalachian Basin.

We contract with Rice Energy and other producers to gather and compress 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. Over time, we expect to increase the provision of associated compression services on our gathering systems to Rice Energy and third parties.

We generate all of our gas gathering and compression 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 June 30, 2017.

	Remaining Term (Years)	Gathering Fee	Compression Fee ⁽¹⁾	Escalation /Adjustment Mechanism ⁽²⁾	Dedicated Acres
Rice Energy	13	\$0.30 / Dth	\$0.07 / stage / Dth	Yes	Washington and Greene Counties ⁽³⁾
Third Parties ⁽⁴⁾	13	\$0.40 / Dth	varies	Yes	66,000 acres in Washington County

Compression fees under our gas gathering and compression agreements with Rice Energy and third parties 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. Accordingly, the third-party compression fee is shown on a weighted average based on historical throughput.

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

The dedicated area from Rice Energy excludes the first 20.0 MDth/d of Rice Energy's Marcellus Shale dry gas production under an existing dedication to a third party in which Rice Energy owned approximately 9,000 gross acres as of June 30, 2017.

Amounts shown for third parties represent weighted averages based on historical throughput in the case of remaining term, gathering fee and compression fee (based on the period March 31, 2015 through June 30, 2017), and in the case of dedications, aggregate acres.

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 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 3. Quantitative and Qualitative Disclosures about Market Risk."

Water Services

Our water services assets located in Washington and Greene Counties, Pennsylvania, and Belmont County, Ohio are engaged in the provision of water services to support well completion activities and to collect and recycle or dispose of flowback and produced water for us and third parties in the Appalachian Basin. As of June 30, 2017, our Pennsylvania assets provided access to 27.0 MMgal/d of fresh water from the Monongahela River and several other regional water sources, and our Ohio assets provided access to 14.0 MMgal/d of fresh water from the Ohio River and several other regional sources, both for distribution to Rice Energy's Exploration and Production segment and third parties. Pursuant to the terms of the Purchase and Sale Agreement by and between us and Rice Energy dated November 4, 2015, Rice Energy has granted us 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 its acquisition cost.

In connection with the closing of the acquisition of Rice Energy's Pennsylvania and Ohio fresh water distribution systems and related facilities, we entered into an amended and restated water services agreements with Rice Energy (the "Water Services Agreements"), whereby we 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 and produced water for Rice Energy within areas of dedication in defined service areas in Pennsylvania and Ohio. The initial terms of the Water Services Agreements are until December 22, 2029 and from month to month thereafter. Under the agreements, Rice Energy pays us (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 and flowback hauling fee of actual out-of-pocket cost incurred by us, plus a 2% margin.

Results of Operations

The following table sets forth selected consolidated operating data for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016:

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Statement of operations data						
Operating revenues:						
Affiliate	\$62,474	\$32,622	\$29,852	\$115,271	\$77,007	\$38,264
Third-party	9,903	13,925	(4,022)	19,856	24,083	(4,227)
Total operating revenues	72,377	46,547	25,830	135,127	101,090	34,037
Operating expenses:						
Operation and maintenance expense	9,701	4,141	5,560	17,880	12,752	5,128
General and administrative expense	7,199	5,787	1,412	13,038	10,463	2,575
Depreciation expense	7,543	6,855	688	15,164	12,225	2,939
Acquisition costs	494	—	494	494	73	421
Amortization of intangible assets	406	403	3	808	811	(3)
Other expense (income)	20	361	(341)	133	149	(16)
Total operating expenses	25,363	17,547	7,816	47,517	36,473	11,044
Operating income	47,014	29,000	18,014	87,610	64,617	22,993
Other income	30	—	30	41	—	41
Interest expense	(1,934)	(920)	(1,014)	(3,877)	(1,967)	(1,910)
Amortization of deferred finance costs	(1,050)	(144)	(906)	(2,099)	(288)	(1,811)
Net income	\$44,060	\$27,936	\$16,124	\$81,675	\$62,362	\$19,313

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

Total operating revenues. Operating revenues increased from \$46.5 million for the three months ended June 30, 2016 to \$72.4 million for the three months ended June 30, 2017, an increase of 55%. The increase in operating revenues period-over-period primarily related to increased gathering and compression revenues associated with a 46% and 58% increase in gathering and compression throughput, respectively, which included the impact of post-acquisition revenues associated with the Vantage Midstream Entities of \$15.7 million for the three months ended June 30, 2017. The impact of the Vantage Midstream Entities was comprised of gathering, compression and water distribution volumes of 377 MDth/d, 50 MDth/d and 63 MMgal, respectively. In addition to gathering and compression, the increase related to the \$9.3 million increase in water services revenue due to a 27% increase in fresh water distribution volumes of 335 MMgal for the three months ended June 30, 2016 to 424 MMgal for the three months ended June 30, 2017.

Operation and maintenance expense. Total operation and maintenance expense increased from \$4.1 million for the three months ended June 30, 2016 to \$9.7 million for the three months ended June 30, 2017, an increase of 134%. The increase period-over-period was primarily due to increases in line maintenance expenses as well as increases in compressor rental charges associated with compressor stations acquired in connection with the Vantage Midstream Acquisition. Additionally, the increase relates to an increase in variable water costs associated with need for supplemental water systems to support combination hydraulic fracturing.

General and administrative expense. General and administrative expense increased from \$5.8 million for the three months ended June 30, 2016 to \$7.2 million for the three months ended June 30, 2017, an increase of 24%. The increase in general and administrative expense period-over-period was primarily attributable to costs associated with personnel to support our growing midstream operations in Pennsylvania.

Depreciation expense. Depreciation expense increased from \$6.9 million for the three months ended June 30, 2016 to \$7.5 million for the three months ended June 30, 2017, an increase of 10%. The increase period-over-period was primarily due to additional assets placed into service subsequent to the second quarter of 2016 associated with our gathering, compression and water handling and treatment services. From June 30, 2016 through June 30, 2017, our gathering and water pipeline miles increased by 40% and 22%, respectively.

Interest expense. Interest expense increased from \$0.9 million for the three months ended June 30, 2016 to \$1.9 million for the three months ended June 30, 2017, an increase of 110%. The increase period-over-period was primarily due to increased borrowing on our revolving credit facility. Average daily outstanding borrowings on our revolving credit facility increased from \$144.7 million for the three months ended June 30, 2016 to \$194.0 million for the three months ended June 30, 2017.

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

Total operating revenues. Operating revenues increased from \$101.1 million for the six months ended June 30, 2016 to \$135.1 million for the six months ended June 30, 2017, an increase of 34%. The increase in operating revenues period-over-period primarily related to increased gathering and compression revenues associated with a 47% and 140% increase in gathering and compression throughput, respectively, which included the impact of post-acquisition revenues associated with the Vantage Midstream Entities of \$27.8 million for the six months ended June 30, 2017.

The impact of the Vantage Midstream Entities was comprised of gathering, compression and water distribution volumes of 342 MDth/d, 50 MDth/d and 103 MMgal, respectively for the six months ended June 30, 2017.

Operation and maintenance expense. Total operation and maintenance expense increased from \$12.8 million for the six months ended June 30, 2016 to \$17.9 million for the six months ended June 30, 2017, an increase of 40%. The increase period-over-period was primarily due to increases in line maintenance expenses as well as increases in compressor rental charges associated with compressor stations acquired in connection with the Vantage Midstream Acquisition. Additionally, the increase relates to an increase in variable water costs associated with need for supplemental water systems to support combination hydraulic fracturing.

General and administrative expense. General and administrative expense increased from \$10.5 million for the six months ended June 30, 2016 to \$13.0 million for the six months ended June 30, 2017, an increase of 25%. The increase in general and administrative expense period-over-period was primarily attributable to costs associated with personnel to support our growing midstream operations in Pennsylvania.

Depreciation expense. Depreciation expense increased from \$12.2 million for the six months ended June 30, 2016 to \$15.2 million for the six months ended June 30, 2017, an increase of 24%. The increase period-over-period was primarily due to additional assets placed into service subsequent to the second quarter of 2016 associated with our gathering, compression

and water handling and treatment services. From June 30, 2016 to June 30, 2017, our gathering and water pipeline miles increased by 40% and 22%, respectively.

Interest expense. Interest expense increased from \$2.0 million for the six months ended June 30, 2016 to \$3.9 million for the six months ended June 30, 2017, an increase of 97%. The increase period-over-period was primarily due to increased borrowing on our revolving credit facility. Average daily outstanding borrowings on our revolving credit facility increased from \$144.7 million for the six months ended June 30, 2016 to \$194.0 million for the six months ended June 30, 2017.

Business Segment Results of Operations

We operate in two business segments: (i) gathering and compression and (ii) water services. We evaluate our business segments based on their contribution to our consolidated results based on operating income. Please see “Item 1. Financial Statements—Notes to Condensed Consolidated Financial Statements—7. Financial Information by Business Segment” for a reconciliation of operating results and assets of our business segments.

The following table sets forth selected operating data for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016:

Gathering and Compression Segment

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	Three Months			Six Months		
	Ended June 30, 2017	2016	Change	Ended June 30, 2017	2016	Change
Operating data:						
Gathering volumes: (in MDth/d)						
Affiliate	1,144	678	466	1,074	648	426
Third-party	216	256	(40)	224	237	(13)
Total gathering volumes	1,360	934	426	1,298	885	413
Compression volumes: (in MDth/d)						
Affiliate	676	329	347	635	169	466
Third-party	216	235	(19)	224	189	35
Total compression volumes	892	564	328	859	358	501
Statement of income data: (in thousands)						
Gathering revenues:						
Affiliate	\$32,380	\$16,960	\$15,420	\$60,324	\$34,209	\$26,115
Third-party	7,933	9,289	(1,356)	16,209	17,725	(1,516)
Total gathering revenues	40,313	26,249	14,064	76,533	51,934	24,599
Compression revenues:						
Affiliate	4,687	2,098	2,589	8,793	2,155	6,638
Third-party	1,583	1,689	(106)	3,259	2,747	512
Total compression revenues	6,270	3,787	2,483	12,052	4,902	7,150
Total operating revenues	46,583	30,036	16,547	88,585	56,836	31,749
Operating expenses:						
Operation and maintenance expense	3,504	1,349	2,155	6,233	3,165	3,068
General and administrative expense	6,074	4,693	1,381	11,025	8,364	2,661
Depreciation expense	3,237	2,685	552	6,507	4,620	1,887
Acquisition costs	494	—	494	494	73	421
Amortization of intangible assets	406	403	3	808	811	(3)
Other (income) expense	—	361	(361)	113	149	(36)
Total operating expenses	13,715	9,491	4,224	25,180	17,182	7,998
Operating income	\$32,868	\$20,545	\$12,323	\$63,405	\$39,654	\$23,751

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

Total operating revenues. Revenues from gathering and compression of natural gas increased from \$30.0 million for the three months ended June 30, 2016 to \$46.6 million for the three months ended June 30, 2017, an increase of 56%. The increase in operating revenues primarily related to increased gathering and compression revenues associated with a 46% and 58% increase in period-over-period gathering and compression throughput, respectively, which included the impact of post-acquisition revenues associated with the Vantage Midstream Entities of \$11.9 million for the three months ended June 30, 2017.

Operation and maintenance expense. Total operation and maintenance expense increased from \$1.3 million for the three months ended June 30, 2016 to \$3.5 million for the three months ended June 30, 2017, an increase of 160%. The increase period-over-period was primarily due to increases in line maintenance expenses as well as increases in compressor rental charges associated with the addition of compressor stations acquired in connection with the Vantage Midstream Entities.

General and administrative expense. General and administrative expense increased from \$4.7 million for the three months ended June 30, 2016 to \$6.1 million for the three months ended June 30, 2017, an increase of 29%. The

increase was primarily attributable to costs associated with personnel to support our growing midstream operations in Pennsylvania.

Depreciation expense. Depreciation expense increased from \$2.7 million for the three months ended June 30, 2016 to \$3.2 million for the three months ended June 30, 2017, an increase of 21%. The increase period-over-period was primarily due to additional assets placed into service subsequent to the second quarter of 2016 associated with our gathering and compression services. From June 30, 2016 to June 30, 2017, our gathering pipeline miles increased by approximately 40%.

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

Total operating revenues. Revenues from gathering and compression of natural gas increased from \$56.8 million for the six months ended June 30, 2016 to \$88.6 million for the six months ended June 30, 2017, an increase of 56%. The increase in operating revenues primarily related to increased gathering and compression revenues associated with a 47% and 140% increase in period-over-period gathering and compression throughput, respectively, which included the impact of post-acquisition revenues associated with the Vantage Midstream Entities of \$21.5 million for the six months ended June 30, 2017.

Operation and maintenance expense. Total operation and maintenance expense increased from \$3.2 million for the six months ended June 30, 2016 to \$6.2 million for the six months ended June 30, 2017, an increase of 97%. The increase period-over-period was primarily due to increases in line maintenance expenses as well as increases in compressor rental charges associated with the addition of compressor stations acquired in connection with the Vantage Midstream Entities.

General and administrative expense. General and administrative expense increased from \$8.4 million for the six months ended June 30, 2016 to \$11.0 million for the six months ended June 30, 2017, an increase of 32%. The increase was primarily attributable to costs associated with personnel to support our growing midstream operations in Pennsylvania.

Depreciation expense. Depreciation expense increased from \$4.6 million for the six months ended June 30, 2016 to \$6.5 million for the six months ended June 30, 2017, an increase of 41%. The increase period-over-period was primarily due to additional assets placed into service subsequent to the second quarter of 2016 associated with our gathering and compression services. From June 30, 2016 to June 30, 2017, our gathering pipeline miles increased by approximately 40%.

Water Services Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Operating data:						
Water services volumes: (in MMgal)						
Affiliate	408	220	188	773	665	108
Third-party	16	115	(99)	16	132	(116)
Total water services volumes	424	335	89	789	797	(8)

Statement of income data: (in thousands)

Operating revenues:						
Affiliate	\$25,407	\$13,564	\$11,843	\$46,155	\$40,643	\$5,512
Third-party	387	2,947	(2,560)	387	3,611	(3,224)
Total operating revenues	25,794	16,511	9,283	46,542	44,254	2,288
Operating expenses:						
Operation and maintenance expense	6,197	2,792	3,405	11,647	9,587	2,060
General and administrative expense	1,125	1,094	31	2,013	2,099	(86)
Depreciation expense	4,306	4,170	136	8,657	7,605	1,052
Other expense	20	—	20	20	—	20
Total operating expenses	11,648	8,056	3,592	22,337	19,291	3,046
Operating income	\$14,146	\$8,455	\$5,691	\$24,205	\$24,963	\$(758)

Operating revenues. Operating revenues increased from \$16.5 million for the three months ended June 30, 2016 to \$25.8 million for the three months ended June 30, 2017, an increase of 56%. The increase related to a 27% increase in fresh water distribution volumes from 335 MMgal to 424 MMgal as well as an increase in rates due to a change in the mix of third-party revenues versus affiliate revenues for the three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Operation and maintenance expense. Total operation and maintenance expense increased from \$2.8 million for the three months ended June 30, 2016 to \$6.2 million for the three months ended June 30, 2017, an increase of 122%. The increase relates to an increase in variable water costs associated with need for supplemental water systems to support combination hydraulic fracturing.

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

Operating revenues. Operating revenues increased from \$44.3 million for the six months ended June 30, 2016 to \$46.5 million for the six months ended June 30, 2017, an increase of 5.2%. The increase related to a \$6.3 million increase in water services revenue attributable to the impact of post-acquisition revenues associated with the Vantage Midstream Entities for the six months ended June 30, 2017, partially offset by a reduction in third-party operating revenues.

Operation and maintenance expense. Total operation and maintenance expense increased from \$9.6 million for the six months ended June 30, 2016 to \$11.6 million for the six months ended June 30, 2017, an increase of 21%. The increase relates to an increase in variable water costs associated with need for supplemental water systems to support combination hydraulic fracturing.

Depreciation expense. Depreciation expense increased from \$7.6 million for the six months ended June 30, 2016 to \$8.7 million for the six months ended June 30, 2017, an increase of 14%. The increase period-over-period was primarily due to additional water handling and treatment assets placed into service subsequent to the second quarter of 2016. From June 30, 2016 through June 30, 2017, our water pipeline miles increased by approximately 22%.

Capital Resources and Liquidity

Sources and Uses of Cash

We expect that capital resources and liquidity will be provided by operating cash flow, proceeds from equity and debt financings and borrowings under our revolving credit facility, as discussed below. We expect cash flow from operations to continue to contribute to our liquidity in the future. However, other sources of liquidity may include borrowing capacity under our revolving credit facility and 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.

We expect our future cash requirements relating to working capital, maintenance capital expenditures and quarterly cash distributions, including incentive distribution rights, 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 provided by operating activities was \$86.9 million for the six months ended June 30, 2017 compared to net cash provided by operating activities of \$74.7 million for the six months ended June 30, 2016. The increase in cash flow from operations period-over-period was primarily the result of increased cash flow generated from our gathering and compression contracts with Rice Energy and third parties during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016.

Cash Flow Used in Investing Activities

Cash flows used in investing activities totaled \$58.0 million and \$75.0 million for the six months ended June 30, 2017 and 2016, respectively. Capital expenditures for the gathering and compression segment were \$54.1 million and \$71.7 million for the six months ended June 30, 2017 and 2016, respectively. The decrease period-over-period was primarily attributable to timing of the build-out of our compression and gathering systems. Capital expenditures for the water services segment were \$4.0 million and \$3.3 million for the six months ended June 30, 2017 and 2016, respectively. The increase period-over-period was primarily attributable to the continued build-out of our water services pipeline system.

Cash Flow (Used in) Provided by Financing Activities

Net cash used in financing activities for the six months ended June 30, 2017 of \$38.5 million was primarily associated with quarterly distributions to our public unitholders and GP Holdings. Net cash provided by financing activities for the six months ended June 30, 2016 of \$8.1 million was comprised of proceeds from common unit issuances of \$179.9 million and net proceeds from borrowings under our revolving credit facility, offset by net paydowns of the revolving credit facility and distributions made to our unitholders related to the fourth quarter of 2015 and first quarter of 2016.

Capital Requirements

The midstream 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 capacity from current levels, including well connections that increase existing volumes.

Examples of expansion capital expenditures include the construction, development or acquisition of additional gas gathering and water pipelines, compressor stations, pumping stations and impoundment facilities, 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 or our operating income, 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 and water sources, to maintain gathering, compression and impoundment facilities, 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

On December 22, 2014, Rice Midstream OpCo LLC, our wholly-owned subsidiary (“Rice Midstream OpCo”), entered into a revolving credit agreement (as amended, the “revolving credit facility”) with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders. As of June 30, 2017, our revolving credit facility provided for lender commitments of \$850.0 million, with an additional \$200.0 million of commitments available under an accordion feature subject to lender approval. As of June 30, 2017, Rice Midstream OpCo had \$206.0 million borrowings outstanding and no letters of credit outstanding under this facility, resulting in availability of \$644.0 million. The average daily outstanding balance of the credit facility was approximately \$194.0 million and interest was incurred on the facility at a weighted average annual interest rate of 2.9% during the six months ended June 30, 2017. 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. We and our restricted subsidiaries are the guarantors of the obligations under the revolving credit facility, which 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. 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 200 to 300 basis points, depending on the leverage ratio then in effect and 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 100 to 200 basis points, depending on the leverage ratio then in effect. Rice Midstream OpCo also pays a commitment fee based on the undrawn commitment amount ranging from 37.5 to 50 basis points.

Our revolving credit facility also contains certain financial covenants and customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the revolving credit facility to be immediately due and payable. We were in compliance with such covenants and ratios effective as of June 30, 2017.

Distributions

On May 18, 2017, a cash distribution of \$0.2608 per common and subordinated unit was paid to our unitholders related to the first quarter of 2017. On July 20, 2017, the Board of Directors of our general partner declared a cash distribution to our unitholders for the second quarter of 2017 of \$0.2711 per common and subordinated unit. The cash distribution will be paid on August 17, 2017 to unitholders of record at the close of business on August 8, 2017. Also on August 17, 2017, a cash distribution of \$1.6 million will be made to GP Holdings related to its incentive distribution rights in us.

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 2016 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 "Item 1. Financial Statements—Notes to Condensed Consolidated Financial Statements—4. Commitments and Contingencies" 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 2016 Annual Report.

Interest Rate Risk

As of June 30, 2017, Rice Midstream OpCo had \$206.0 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 200 to 300 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 100 to 200 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 annual weighted average interest rate incurred on our revolving credit facility during the six months ended June 30, 2017 was approximately 2.9%. A 1.0% increase in each of the applicable average interest rates during the six months ended June 30, 2017 would have resulted in a \$1.0 million estimated increase in interest expense for that period. As of June 30, 2017, 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 2016 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 June 30, 2017. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC’s rules and forms and to ensure that the information we are required to disclose in the reports we file and submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. 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 June 30, 2017.

Changes in Internal Control over Financial Reporting

We are in the process of integrating Vantage’s and our internal controls over financial reporting. As a result of these integration activities, certain controls will be evaluated and may be changed. Except as noted above, during the three months ended June 30, 2017, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We are a 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 us cannot be predicted with certainty, we believe that all such matters involve amounts which, if resolved unfavorably, either individually or in the aggregate, will not have a material adverse effect on our financial condition, results of operations or cash flows. When we determine that a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at the time. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, the matter should otherwise be disclosed.

Environmental Proceedings

From time to time our operations are inspected by governmental authorities. These authorities may issue proposed penalties for alleged violations of environmental laws discovered as a result of such inspections. Fines and penalties for environmental law violations can often exceed \$100,000. While we cannot predict the ultimate outcome of any such matters, we do not expect that any currently known violations, individually or in the aggregate, will have a material adverse impact on our 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.

For a discussion of our potential risks and uncertainties, see the risk factors below and the information in “Item 1A. Risk Factors” in our 2016 Annual Report.

Our general partner is owned by Rice Energy, which recently announced an agreement to merge with EQT Corporation, which owns the general partner of EQT GP Holdings, LP (“EQGP”), which in turn owns the general partner of EQT Midstream Partners, LP (“EQM”). EQT’s ownership of our general partner and the general partner of EQM may result in conflicts of interest.

Rice Energy entered into a definitive agreement with EQT, which provide for a series of transactions whereby Rice Energy will be merged with and into an indirect wholly owned subsidiary of EQT. The closing of the Merger is subject to various conditions precedent, and as such, there is a risk that the acquisition may not be completed.

Following the completion of the merger of EQT and Rice Energy, the directors and officers of our general partner and its affiliates will have duties to manage our general partner in a manner that is beneficial to EQT, who would be the owner of our general partner. At the same time, our general partner will have duties to manage us in a manner that is beneficial to our unitholders. Therefore, following the completion of the merger, our general partner’s duties to us may conflict with the duties of its officers and directors to EQT in the future. As a result of these conflicts of interest following the merger, our general partner may favor its own interest or the interests of EQT or EQM, or their owners or affiliates over the interest of our unitholders. For example, EQT has publicly stated that it intends to sell Rice Energy’s interests in its retained midstream assets to EQM.

Furthermore, substantially all of Rice Energy’s production is dedicated to us, and Rice Energy represents the substantial majority of our throughput volumes. Following the completion of the Merger, our future prospects will depend upon EQT’s growth strategy and drilling program, including the level of drilling and completion activity by EQT in acreage dedicated to us. Additional conflicts may also arise in the future following the merger associated with (1) the allocation of capital and the allocation of costs among EQGP, EQM and us, (2) the amount of time devoted by the officers and directors of EQT to the business of EQGP and EQM in relation to us and (3) future business opportunities that are pursued by EQM and us.

Item 6. Exhibits

Exhibit Number	Exhibit
2.1***	Purchase and Sale Agreement, dated as of November 4, 2015, by and between Rice Energy Inc. and Rice Midstream Partners LP (incorporated by reference to Exhibit 2.1 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on November 5, 2015).
2.2***	Purchase and Sale Agreement, dated as of September 26, 2016, by and between Rice Energy Inc. and Rice Midstream Partners LP (incorporated by reference to Exhibit 10.1 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on September 30, 2016).
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.
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Schema Document.
101.CAL*	XBRL Calculation Linkbase Document.
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 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. The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Partnership will furnish copies of such schedules to the Securities and Exchange Commission upon request.

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: August 3, 2017 By: Rice Midstream Management LLC, its general partner

By: /s/ Daniel J. Rice IV
Daniel J. Rice IV
Director, Chief Executive Officer

Date: August 3, 2017 By: Rice Midstream Management LLC, its general partner

By: /s/ Grayson T. Lisenby
Grayson T. Lisenby
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit
2.1***	Purchase and Sale Agreement, dated as of November 4, 2015, by and between Rice Energy Inc. and Rice Midstream Partners LP (incorporated by reference to Exhibit 2.1 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on November 5, 2015).
2.2***	Purchase and Sale Agreement, dated as of September 26, 2016, by and between Rice Energy Inc. and Rice Midstream Partners LP (incorporated by reference to Exhibit 10.1 of the Partnership’s Current Report on Form 8-K (File No. 001-36789) filed with the Commission on September 30, 2016).
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.
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Schema Document.
101.CAL*	XBRL Calculation Linkbase Document.
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 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.
***	The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Partnership will furnish copies of such schedules to the Securities and Exchange Commission upon request.

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.
- “Throughput.” The volume of product passing through a pipeline, plant, terminal or other facility.