Macquarie Infrastructure Co LLC
Form 10-Q
May 04, 2015

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2015

OR

o **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: 001-32384

MACQUARIE INFRASTRUCTURE COMPANY LLC

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	43-2052503 (IRS Employer Identification No.)

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

(212) 231-1000

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report): **N/A**

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller 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 x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

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

There were 79,338,386 LLC interests, or shares, without par value outstanding at May 1, 2015.

MACQUARIE INFRASTRUCTURE COMPANY LLC

TABLE OF CONTENTS

Macquarie Infrastructure Company LLC is not an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Infrastructure Company LLC.

i

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this quarterly report on Form 10-Q (the Quarterly Report) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements may appear throughout this Quarterly Report, including without limitation, the Management s Discussion and Analysis of Financial Condition and Results of Operations section. We use words such as believe, intend, expect, anticipate, plan, may, wil estimate, potential, project and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to the risks identified in our Annual Report on the Form 10-K for the year ended December 31, 2014, and in other reports we file from time to time with the Securities and Exchange Commission (the SEC).

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Many of these factors are beyond our ability to control or predict. Our forward-looking statements speak only as of the date of this Quarterly Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

FINANCIAL INFORMATION

Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of Macquarie Infrastructure Company LLC should be read in conjunction with the consolidated condensed financial statements and the notes to those statements included elsewhere herein.

Except as otherwise specified, Macquarie Infrastructure Company, MIC, we, us, and our refer to the Company a subsidiaries. Macquarie Infrastructure Management (USA) Inc., which we refer to as our Manager, is part of the Macquarie Group, comprised of Macquarie Group Limited and its subsidiaries and affiliates worldwide.

We own, operate and invest in a diversified group of infrastructure businesses that provide services to businesses and individuals primarily in the U.S. The businesses we own and operate include:

International-Matex Tank Terminals (IMTT): a bulk liquid terminals business that provides bulk liquid storage, handling and other services at ten marine terminals in the United States and two in Canada and is one of the larger participants in this industry in the U.S., based on storage capacity;
Atlantic Aviation: a network of aviation fixed-base operations (FBOs) that provide fuel, terminal, aircraft hangaring and other services primarily to owners and operators of general aviation (GA) aircraft at 69 airports in the U.S.;
Contracted Power and Energy (CP&E) Segment: controlling interests in solar, wind and gas-fired power generation facilities in the U.S.; and
Hawaii Gas: a gas energy company processing and distributing gas and providing related services in Hawaii.

Our businesses generally operate in sectors of infrastructure with barriers to entry including high initial development and construction costs, long-term contracts or the requirement to obtain government approvals and a lack of immediate cost-effective alternatives to the services provided. Overall they tend to generate sustainable, stable and growing cash flows over the long term.

Our board of directors has approved a plan of conversion providing for the conversion of the Company from a Delaware limited liability company to Macquarie Infrastructure Corporation, a Delaware corporation (MIC Corp.), pursuant to which each of our outstanding LLC interests, or shares, will convert into one share of common stock of MIC Corp. (the Conversion). Our business, management and financial condition will be the same before and after the Conversion. Our board of directors has also approved a proposal to authorize 100,000,000 shares of preferred stock that may be issued from time to time, conditioned on consummation of the Conversion (the Preferred Stock Proposal). The Conversion and the Preferred Stock Proposal each require the approval of the holders of our shares, and there can be no assurance that the Conversion or the Preferred Stock Proposal will be consummated.

Overview

In analyzing the financial condition and results of operations of our businesses, we focus primarily on cash generation and our ability to distribute cash to shareholders in particular. The ability of our businesses to generate cash, broadly, is tied to their ability to effectively manage the volume of products sold or services provided and the margin earned on those transactions. Offsetting that cash generation capability are required payments on debt facilities, taxes, capital expenditures necessary to maintain the productivity of the fixed assets of the businesses and pension contributions, among other items.

At IMTT, we focus on attracting third party storage from customers who place a premium on ease of access and operational flexibility, and on efficiently maintaining fixed assets. The substantial majority of IMTT s revenue is generated pursuant to contracts with an average duration of approximately three years.

At Atlantic Aviation, our focus is on attracting and maintaining relationships with GA aircraft owners and pilots and encouraging them to purchase refueling and other services from our FBOs. Atlantic Aviation s

1

TABLE OF CONTENTS

revenue is correlated with the number of GA flight movements in the U.S. and the business ability to service a portion of the aircraft involved in those operations.

The businesses that comprise our CP&E segment generate revenue pursuant to long-dated power purchase agreements (PPAs) and tolling agreements with creditworthy off-takers.

At Hawaii Gas, we seek to grow by increasing the number of customers served, the volume of gas sold and the margins achieved on gas sales. Hawaii Gas actively markets its products and services in an effort to develop new customers throughout Hawaii.

Dividends

Since January 1, 2014, MIC has paid or declared the following dividends:

Declared	Period Covered	$ per Share	Record Date	Payable Date
April 30, 2015	First quarter 2015	$ 1.07	May 14, 2015	May 19, 2015
February 17, 2015	Fourth quarter 2014	$ 1.02	March 2, 2015	March 5, 2015
October 27, 2014	Third quarter 2014	$ 0.98	November 10, 2014	November 13, 2014
July 3, 2014	Second quarter 2014	$ 0.95	August 11, 2014	August 14, 2014
April 28, 2014	First quarter 2014	$ 0.9375	May 12, 2014	May 15, 2014
February 18, 2014	Fourth quarter 2013	$ 0.9125	March 3, 2014	March 6, 2014

We currently intend to maintain a payout ratio between 80% to 85% of the Free Cash Flow generated by our businesses in the form of a quarterly cash dividend to our shareholders. We define Free Cash Flow as cash from operating activities, which reflects cash paid for interest, taxes and pension contributions, less maintenance capital expenditures, which includes principal repayments on capital lease obligations used to fund maintenance capital expenditures, and excludes changes in working capital.

The payment of a quarterly cash dividend of $1.07 per share for the quarter ended March 31, 2015 is being paid out of Free Cash Flow generated by our operating entities. In determining whether to adjust the amount of our quarterly dividend, our Board will take into account such matters as the state of the capital markets and general business conditions, the Company s financial condition, results of operations, capital requirements, capital opportunities and any contractual, legal and regulatory restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company, and any other factors that it deems relevant, subject to maintaining a prudent level of reserves and without creating undue volatility in the amount of such dividends where possible. Moreover, the Company s senior secured credit facility and the debt commitments at our businesses contain restrictions that may limit the Company s ability to pay dividends. Although historically we have declared cash dividends on our shares, any one of these factors could result in the modification of our dividend policy, or the reduction, modification or elimination of our dividend in the future.

We believe our current policy with respect to paying a cash dividend supports our view of the Company as a potentially attractive total return investment opportunity. From 2007 through 2014, our underlying proportionately combined Free Cash Flow per share grew at a compound annual rate of 13.1%. See Management s Discussion and Analysis of Financial Condition and Results of Operations *Results of Operations Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow* and *Summary of Our Proportionately Combined Results* for further information on our calculation of Free Cash Flow and our proportionately combined financial measures in Part I of this Form 10-Q.

Recent Development

CP&E Bayonne Energy Center (BEC) Acquisition

On April 1, 2015, we completed the acquisition of a 100% interest in BEC for a purchase price of $724.3 million (subject to post-closing working capital adjustments), which consists of $215.2 million in cash and the assumption of $509.1 million of debt, excluding transaction costs. We funded the cash consideration for the acquisition by drawing on the MIC Corporate senior secured revolving credit facility and using cash on hand from the March 2015 equity offering. BEC is a 512 megawatt natural gas-fired power generating

2

TABLE OF CONTENTS

facility located in Bayonne, New Jersey, adjacent to IMTT s Bayonne facility. BEC has tolling agreements with a creditworthy off-taker for 62.5% of its energy generating capacity to the New York City power market via a dedicated transmission cable under New York Harbor. The tolling agreements have a weighted average remaining life of approximately 13 years.

Results of Operations

Consolidated

Key Factors Affecting Operating Results:

contributions from acquisitions during 2014, primarily from the acquisition of the remaining 50% interest of IMTT (IMTT Acquisition);

improved gross profit primarily at Atlantic Aviation and Hawaii Gas; and

improved terminal operations at IMTT (excluding heating); offset by

performance fee incurred in the first quarter of 2015;

increased cash interest expense; and

decreased spill response activity at IMTT.

Our consolidated results of operations are as follows:

	Quarter Ended March 31,		Change Favorable/(Unfavorable)	
	2015	2014	$	%
	($ In Thousands) (Unaudited)			
Revenue				
Service revenue	$326,002	$202,439	123,563	61.0
Product revenue	72,496	73,009	(513)	(0.7)
Financing and equipment lease income		747	(747)	(100.0)
Total revenue	398,498	276,195	122,303	44.3
Costs and expenses				
Cost of services	133,417	112,954	(20,463)	(18.1)
Cost of product sales	39,127	50,239	11,112	22.1
Gross profit	225,954	113,002	112,952	100.0
Selling, general and administrative	70,653	55,464	(15,189)	(27.4)
Fees to manager-related party	165,273	8,994	(156,279)	NM
Depreciation	57,422	12,154	(45,268)	NM
Amortization of intangibles	47,971	8,765	(39,206)	NM
Loss on disposal of assets	545		(545)	NM
Total operating expenses	341,864	85,377	(256,487)	NM
Operating (loss) income	(115,910)	27,625	(143,535)	NM
Other income (expense)				
Dividend income	531		531	NM
Interest income	6	64	(58)	(90.6)
Interest expense[1]	(31,521)	(14,011)	(17,510)	(125.0)
Equity in earnings and amortization charges of investee		14,287	(14,287)	(100.0)
Other income, net	1,046	681	365	53.6

Net (loss) income before income taxes	(145,848)	28,646	(174,494)	NM
Benefit (provision) for income taxes	55,333	(8,486)	63,819	NM
Net (loss) income	$(90,515)	$20,160	(110,675)	NM
Less: net loss attributable to noncontrolling interests	(1,513)	(206)	1,307	NM
Net (loss) income attributable to MIC LLC	$(89,002)	$20,366	(109,368)	NM

NM Not meaningful

(1) Interest expense includes losses on derivative instruments of $12.9 million and $5.3 million for the quarters ended March 31, 2015 and 2014, respectively.

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

Gross Profit

Consolidated gross profit increased for the quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 primarily reflecting the consolidation of IMTT s results, improved results at Atlantic Aviation primarily due to contributions from acquired FBOs and improved results at Hawaii Gas primarily due to increase in volume of gas sold and margin per therm.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 primarily as a result of the consolidation of IMTT s results and the contributions from the 2014 acquisitions at Atlantic Aviation and CP&E.

Fees to Manager

Our Manager is entitled to a monthly base management fee based primarily on our market capitalization, and potentially a quarterly performance fee, based on the performance of our stock relative to a U.S. utilities index. For the quarters ended March 31, 2015 and 2014, we incurred base management fees of $16.5 million and $9.0 million, respectively. For the quarter ended March 31, 2015, we also incurred a performance fee of $148.7 million as compared with no performance fee for the quarter ended March 31, 2014.

The unpaid portion of the base management fees and performance fees, if any, at the end of each reporting period is included in due to manager-related party in the consolidated condensed balance sheets. The following table shows our Manager s election to reinvest its base management fees and performance fees, if any, in additional shares, except as noted:

Period	Base Management Fee Amount ($ in thousands)	Performance Fee Amount ($ in thousands)	Shares Issued
2015 Activities:			
First quarter 2015	$ 16,545	$ 148,728	2,068,038 (1)
2014 Activities:			
Fourth quarter 2014	$ 14,192	$	208,122
Third quarter 2014	13,915	116,586	947,583 (2)
Second quarter 2014	9,535	4,960	243,329
First quarter 2014	8,994		164,546

(1) Our Manager elected to reinvest the first quarter of 2015 base management fees and performance fee in shares. We issued 2,068,038 shares, of which 1,925,894 shares were issued in April 2015 for the March 2015 base management fee and the performance fee for the quarter ended March 31, 2015.

(2) In October 2014, our Board requested, and our Manager agreed, that $65.0 million of the performance fee be settled in cash using the proceeds from the sale of the district energy business in order to minimize dilution. The remainder of the fee of $51.6 million was reinvested in additional shares of MIC.

Depreciation

Depreciation expense increased for the quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 primarily as a result of fixed assets acquired in conjunction with the IMTT Acquisition and the depreciation associated with other businesses acquired during 2014.

Atlantic Aviation s depreciation expense increased during the first quarter of 2015 due to the reassessment of the useful lives for its leasehold and land improvements related to leases at certain airports to generally match these useful lives with the remaining lease terms plus extensions under Atlantic Aviation s control. This change will generally accelerate depreciation expense at the affected sites. As a result of this reassessment, the business recorded an impairment of $2.8 million. The change in useful life also resulted in increased depreciation expense of $1.1 million during the quarter. In addition, during the first quarter of 2015, an impairment charge of $4.2 million was recorded due to a change in the current lease contract at one of the sites.

4

Results of Operations: *Consolidated* (continued)

Amortization of Intangibles

Amortization of intangibles increased for the quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 primarily at Atlantic Aviation and from the intangibles acquired in conjunction with the IMTT Acquisition.

The increase in Atlantic Aviation is attributable to the reassessment of the useful lives for its contractual arrangements related to leases at certain airports to generally match these useful lives with the remaining lease terms plus extensions under Atlantic Aviation s control. This change will generally accelerate amortization expense at the affected sites. As a result of this reassessment, the business recorded an impairment of $13.5 million. The change in useful life also resulted in increased amortization expense of $4.3 million. In addition, during the first quarter of 2015, an impairment charge of $17.8 million was recorded due to a change in the current lease contract at one of the sites.

Interest Expense and Loss on Derivative Instruments

Interest expense includes losses on derivative instruments of $12.9 million and $5.3 million for the quarters ended March 31, 2015 and 2014, respectively. Losses on derivatives recorded in interest expense are attributable to the change in fair value of interest rate hedging instruments. For the quarter ended March 31, 2014, losses on derivatives also included the reclassification of amounts from accumulated other comprehensive loss into earnings. Excluding the derivative adjustments, interest expense for quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 increased primarily due to the consolidation of IMTT, higher average debt balance at Atlantic Aviation and interest expense associated with the convertible senior notes that were issued in July 2014.

Equity in Earnings and Amortization Charges of Investee

The decrease in equity in earnings for the quarter ended March 31, 2015 compared with the quarter ended March 31, 2014 is primarily due to the consolidation of IMTT s results from July 16, 2014 and thereafter compared with the equity method of accounting for IMTT s results prior to the acquisition date.

Income Taxes

For 2015, we will file a consolidated federal income tax return that includes the financial results for IMTT, Atlantic Aviation, BEC, Hawaii Gas and our allocable share of the taxable income (loss) from our solar and wind power generation facilities which are treated as partnerships for tax purposes. Pursuant to the tax sharing agreement, the individual businesses included in our consolidated federal income tax return pay MIC an amount equal to the federal income taxes each would have paid on a standalone basis if they were not part of the MIC consolidated federal income tax return.

The change from income tax expense for the quarter ended March 31, 2014 to income tax benefit for the quarter ended March 31, 2015 is primarily due to the performance fee incurred during the first quarter of 2015.

For 2015, we expect any federal income taxes for our consolidated entities to be fully offset by our net operating loss (NOL) carryforwards. We believe that we will be able to utilize all of our federal prior year NOLs, which will begin to expire after 2021 and completely expire after 2034. Our federal NOL balance at December 31, 2014 was revised from $250.7 million to $286.7 million, which is available to offset future taxable income, if any. The revision relates to approximately $36.0 million for the election of bonus deprecation at IMTT for 2014. See *Results of*

Operations IMTT Income Taxes below for further discussions. As a result of having federal NOL carryforwards, we do not expect to make regular federal tax payments until late 2018. For the year ending December 31, 2015, we expect to pay $915,000 in Alternative Minimum Tax.

Absent acquisitions and/or divestitures, we expect that our effective tax rate would be higher than the U.S. federal statutory rate of 35% primarily because of state and local income taxes. For 2015, we expect to pay state income taxes of approximately $4.0 million. In calculating our consolidated state income tax provision, we have provided a valuation allowance for certain state income tax NOL carryforwards, the utilization of which is not more likely than not.

5

Results of Operations: *Consolidated* (continued)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items and Free Cash Flow

We have disclosed EBITDA excluding non-cash items for our Company and each of our operating segments in Note 10, Reportable Segments , in our consolidated condensed financial statements, as a key performance metric relied on by management in evaluating our performance. EBITDA excluding non-cash items is defined as earnings before interest, taxes, depreciation and amortization and non-cash items, which includes impairments, base management and performance fees, if any, derivative gains and losses and adjustments for other non-cash items reflected in the statements of operations. We believe EBITDA excluding non-cash items provides additional insight into the performance of our operating businesses relative to each other and to similar businesses without regard to their capital structure, and to their ability to service or reduce debt, fund capital expenditures and/or support distributions to the holding company.

We also disclose Free Cash Flow, as defined by us, as a means of assessing the amount of cash generated by our businesses and supplementing other information provided in accordance with GAAP. We define Free Cash Flow as cash from operating activities, which includes cash paid for interest, taxes and pension contributions, less maintenance capital expenditures, which includes principal repayments on capital lease obligations used to fund maintenance capital expenditures, and excludes changes in working capital.

We believe that reporting Free Cash Flow will provide our investors with additional insight into our future ability to deploy cash, as GAAP metrics such as net income and cash from operating activities do not reflect all of the items that our management considers in estimating the amount of cash generated by our operating entities. In this Quarterly Report on Form 10-Q, we have disclosed Free Cash Flow for our consolidated results and for each of our operating segments.

We note that Free Cash Flow does not fully reflect our ability to freely deploy generated cash, as it does not reflect required payments to be made on our indebtedness and other fixed obligations or the other cash items excluded when calculating Free Cash Flow. We also note that Free Cash Flow may be calculated in a different manner by other companies, which limits its usefulness as a comparative measure. Therefore, our Free Cash Flow should be used as a supplemental measure and not in lieu of our financial results reported under GAAP.

TABLE OF CONTENTS

Results of Operations: *Consolidated* (continued)

A reconciliation of net (loss) income attributable to MIC LLC to EBITDA excluding non-cash items and EBITDA excluding non-cash items to Free Cash Flow, on a consolidated basis, is provided below.

	Quarter Ended March 31,		Change Favorable/ (Unfavorable)	
	2015	2014	$	%
	($ in Thousands) (Unaudited)			
Net (loss) income attributable to MIC LLC[1]	$(89,002)	$20,366		
Interest expense, net[2]	31,515	13,947		
(Benefit) provision for income taxes	(55,333)	8,486		
Depreciation[3]	57,422	12,154		
Depreciation cost of services[3]		1,704		
Amortization of intangibles[4]	47,971	8,765		
Loss on disposal of assets	453			
Equity in earnings and amortization charges of investee		(14,287)		
Equity distributions from investee[5]		8,127		
Base management fees to be settled/settled in shares	16,545	8,994		
Performance fees to be settled in shares	148,728			
Other non-cash (income) expense, net	(3,055)	536		
EBITDA excluding non-cash items	$155,244	$68,792	86,452	125.7
EBITDA excluding non-cash items	$155,244	$68,792		
Interest expense, net[2]	(31,515)	(13,947)		
Adjustments to derivative instruments recorded in interest expense[2]	5,353	1,094		
Amortization of debt financing costs[2]	1,615	1,041		
Equipment lease receivable, net		996		
Benefit/provision for income taxes, net of changes in deferred taxes	(805)	(2,047)		
Pension contribution		(310)		
Changes in working capital	(12,876)	3,458		
Cash provided by operating activities	117,016	59,077		
Changes in working capital	12,876	(3,458)		
Maintenance capital expenditures	(6,115)	(2,825)		
Free cash flow	$123,777	$52,794	70,983	134.5

(1) Net (loss) income attributable to MIC LLC excludes net loss of $1.5 million and $206,000 attributable to noncontrolling interests for the quarters ended March 31, 2015 and 2014, respectively.

(2) Interest expense, net, includes adjustments to derivative instruments related to interest rate swaps and non-cash amortization of deferred financing fees.

(3) Depreciation cost of services includes depreciation expense for our previously owned district energy business, a component of CP&E segment, which was reported in cost of services in our consolidated condensed statements of operations. Depreciation and Depreciation cost of services did not include acquisition-related step-up depreciation expense of $2.0 million for the quarter ended March 31, 2014 in connection with our previous 50% investment in IMTT, which was reported in equity in earnings and amortization charges of investee in our consolidated

condensed statement of operations.

(4) Amortization of intangibles did not include acquisition-related step-up amortization expense of $85,000 for the quarter ended March 31, 2014 in connection with our previous 50% investment in IMTT, which was reported in equity in earnings and amortization charges of investee in our consolidated condensed statement of operations.

(5) Equity distributions from investee in the above table includes distributions we received only up to our share of the earnings recorded in the calculation for EBITDA excluding non-cash items.

7

TABLE OF CONTENTS

Reconciliation from Consolidated Free Cash Flow to Proportionately Combined Free Cash Flow

The following table is a reconciliation from Free Cash Flow on a consolidated basis to Free Cash Flow on a proportionately combined basis (in proportion to our interests). See Results of Operations *Consolidated* above for a reconciliation of Free Cash Flow Consolidated basis to cash provided by operating activities, the most comparable GAAP measure. See Results of Operations below for each of our segments for a reconciliation of Free Cash Flow for each segment to cash provided by (used in) operating activities for such segment. See Results of Operations *Summary of Our Proportionately Combined Results* for further discussions on Free Cash Flow and our proportionately combined financial measures in Part I of this Form 10-Q.

	Quarter Ended March 31,		Change Favorable/ (Unfavorable)	
	2015	2014	$	%
	($ In Thousands) (Unaudited)			
Free Cash Flow Consolidated basis	$123,777	$52,794	70,983	134.5
Equity distributions from investee[1]		(8,127)		
100% of CP&E Free Cash Flow included in consolidated Free Cash Flow	(2,689)	(2,775)		