

UNITED STATES OF AMERICA

Before the

FEDERAL ENERGY REGULATORY COMMISSION

Application of  
CHEYENNE PLAINS GAS PIPELINE COMPANY  
at Docket No. CP03-\_\_\_\_-000  
for Certificates of Public  
Convenience and Necessity

Pursuant to Section 7  
of the Natural Gas Act  
Authorizing the Construction and Operation of  
the Cheyenne Plains Project  
and

Pursuant to Parts 157 and 284 of the  
Federal Energy Regulatory Commission's  
Regulations Under the Natural Gas Act and  
Natural Gas Policy Act, Respectively,  
Authorizing Blanket Construction and  
Abandonment of Facilities and Services and  
Open-Access Self-Implementing Transportation Services

Dated: May 19, 2003

Filed: May 20, 2003

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FEDERAL ENERGY REGULATORY COMMISSION

Cheyenne Plains Gas Pipeline Company)      Docket No. CP03-\_\_\_\_-000

Application of Cheyenne Plains Gas Pipeline Company for  
Certificates of Public Convenience and Necessity

Cheyenne Plains Gas Pipeline Company ("Cheyenne Plains"), pursuant to Section 7 of the Natural Gas Act ("NGA") and Parts 157 and 284 of the Federal Energy Regulatory Commission's ("Commission") Regulations, submits this Application for (i) a certificate of public convenience and necessity authorizing the construction, ownership, and operation of new interstate natural gas pipeline facilities; (ii) a blanket certificate of public convenience and necessity authorizing Cheyenne Plains to provide open-access transportation services, with pre-granted abandonment approval; and (iii) a blanket certificate of public convenience and necessity to construct, operate and/or abandon certain eligible facilities, and services related thereto. Cheyenne Plains is also requesting approval for its proposed recourse rates for transportation service and of its Pro Forma Tariff, which includes the authority to enter into negotiated rate agreements. In addition, Cheyenne Plains respectfully requests that the Commission make a Preliminary Determination on Non-

Environmental Issues by November 20, 2003 that includes the review and preliminary approval of various financing, rate and tariff provisions, all as more fully discussed herein.

#### **EXECUTIVE SUMMARY**

During the last ten years, gas production in major Mid-continent gas basins has peaked and has begun to decline. During the same time period, the natural gas demand supported by these supplies has continued to increase.<sup>1</sup> As a consequence, Mid-continent pipelines that are dependent on supplies from Mid-continent gas basins have been supply deficient, resulting in increasing amounts of underutilized capacity on certain supply segments of these pipeline systems. In contrast, natural gas development and production in the Central Rocky Mountain area during this period has been prolific.<sup>2</sup>

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<sup>1</sup> Refer to Exhibit H attached hereto for a more in-depth discussion of gas supply trends in the Central Rocky Mountain and Mid-continent basins.

<sup>2</sup> The Central Rocky Mountain basins referred to herein include the Powder River, Big Horn, Wind River, Overthrust Belt, Uinta, Piceance, and the Greater Green River Basins located in Utah, Wyoming and Colorado.

In response to these dynamics, Cheyenne Plains, a natural gas pipeline company,<sup>3</sup> has been formed to construct, own, and operate approximately 380 miles of 30" O.D. pipeline that will extend southeastward from interconnections with Colorado Interstate Gas Company ("CIG")<sup>4</sup> and Wyoming Interstate Company, Ltd. ("WIC")<sup>5</sup> at the CIG/WIC Cheyenne Compressor Station,<sup>6</sup> located near the Colorado/Wyoming border, to new interconnections with six interstate and one intrastate transmission pipeline systems located at the eastern end of the pipeline in Kansas. The pipeline will include three compressors providing

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<sup>3</sup> Upon receipt of the authorizations requested herein, the construction of the proposed facilities, and commencement of operations as proposed in this Application, Cheyenne Plains will become a "natural gas company" subject to regulation by the Commission.

<sup>4</sup> CIG is an interstate pipeline transporter of natural gas with facilities located in the States of Montana, Wyoming, Utah, Colorado, Kansas, Oklahoma, Texas and New Mexico. CIG is also an affiliate and the project developer of the Cheyenne Plains Project.

<sup>5</sup> WIC is an interstate pipeline transporter of natural gas with facilities located in the States of Wyoming and Colorado. WIC is also an affiliate of Cheyenne Plains.

<sup>6</sup> The CIG/WIC Cheyenne Compressor Station is also the location of the western terminus of the transmission system of WIC and the eastern terminus of the transmission system of Trailblazer Pipeline Company. Additionally, Kinder Morgan Interstate Gas Transmission, LLC, has an interconnection at this location. Other interconnections also exist with the intrastate systems of Public Service Company of Colorado and Cheyenne Light, Fuel

approximately 30,930 nameplate horsepower ("HP") and an amine gas treatment plant at the Cheyenne Hub; three delivery laterals (a 4.0-mile 30" O.D. lateral, a 3.0-mile 8" O.D. lateral, and a .19-mile 20" O.D. lateral) toward the eastern portion of the pipeline; and metering equipment at the receipt and delivery interconnects. The pipeline project being proposed herein will be referred to as the "Cheyenne Plains Project" or "Project."

In support of the Cheyenne Plains Project, Cheyenne Plains has entered into 13 transportation service agreements ("TSA") and one precedent agreement to transport up to 560,000 Dth/day of natural gas received at the Cheyenne Hub for delivery to various points of interconnection along the Cheyenne Plains pipeline in Kansas.

The cost of constructing the Cheyenne Plains Project will be approximately \$331,815,200. Cheyenne Plains proposes a one-part rate for interruptible transportation service and a two-part rate for the firm transportation service based on the total cost-of-service and an assumed 35-year life of the Project. Cheyenne Plains requests authorization for the Cheyenne Plains Project by

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and Power Company. Collectively, the regional descriptor of these interconnections is referred to as the "Cheyenne Hub".

April 1, 2004, in order to achieve a targeted in-service date of no later than August 2005. However, subject to the receipt of all requested authorizations on an earlier timeframe, Cheyenne Plains would diligently work to complete the construction and to place its facilities in-service prior to August 2005.

CIG is filing a companion Section 7(c) application with the Commission seeking authorization to install a jumper compressor unit at its Cheyenne Compressor Station in order to provide a firm compression service. Installation of the jumper compressor unit will permit gas being delivered from CIG to meet the minimum suction pressure requirements of the Cheyenne Plains compressors. Accordingly, following an open season, Cheyenne Plains has executed an agreement with CIG for this compression service.

#### I.

The names, titles, mailing addresses, telephone and facsimile numbers of those persons to whom correspondence and communications concerning this Application should be directed are as follows:<sup>7</sup>

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<sup>7</sup> These persons have been designated for service in accordance with Rule 203 of the Commission's Rules of Practice and Procedure. Cheyenne Plains respectfully requests that the

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The exact legal name of Cheyenne Plains is Cheyenne Plains Gas Pipeline Company. Effective February 12, 2003, Cheyenne Plains was created as a wholly owned indirect subsidiary of El Paso Corporation. Cheyenne Plains is a company duly organized and existing under the laws of the State of Delaware, having its principal place of business located in Colorado Springs, Colorado. Cheyenne Plains is authorized to conduct business as a foreign corporation in the States of Colorado, Wyoming and Kansas in order to engage in open-access

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Commission waive Rule 203(b)(3) to allow four persons to be designated to receive service.

transportation services and to own and operate transmission facilities within the States of Colorado and Kansas.<sup>8</sup>

## II.

Currently, Cheyenne Plains neither owns nor operates any interstate pipeline facilities nor does it provide any services subject to the Commission's jurisdiction. However, upon receipt of the authorizations requested herein, the construction of the proposed facilities, and commencement of operations as proposed in this Application, Cheyenne Plains will become a "natural gas company" within the meaning of Section 2(6) of the NGA and will be subject to the jurisdiction of the Commission under the NGA.<sup>9</sup> Cheyenne Plains was formed by El Paso Corporation, as a wholly owned subsidiary of El Paso CNG Company, LLC.

## III.

Cheyenne Plains seeks authorizations under Section 7 of the NGA, for (i) a certificate of public convenience and necessity authorizing the construction, ownership, and operation

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<sup>8</sup> The certificate of incorporation of Cheyenne Plains is included in Exhibit A hereto.

<sup>9</sup> Cheyenne Plains will provide transportation service in interstate commerce under the terms of its FERC Gas Tariff, a pro forma copy of which is included hereto as Exhibit P.

of new interstate natural gas pipeline facilities; (ii) a blanket certificate of public convenience and necessity authorizing Cheyenne Plains to provide open-access transportation services, with pre-granted abandonment approval; and (iii) a blanket certificate of public convenience and necessity to construct, operate and/or abandon certain eligible facilities, and services related thereto. Cheyenne Plains is also requesting approval of its proposed recourse rates for transportation service and its Pro Forma Tariff, which includes the authority to enter into negotiated rate agreements, as well as any necessary authorizations to sell gas as required for system operations. In addition, Cheyenne Plains respectfully requests that the Commission make a Preliminary Determination on Non-Environmental Issues by November 20, 2003, that includes the review and preliminary approval of various financing, rate, and tariff provisions, all as more fully set forth below.

## **BACKGROUND**

During the last decade, natural gas production in the two major gas production basins located in Kansas, Oklahoma and Texas, the Hugoton and Anadarko Basins, have experienced annual declines in their levels of production. Since 1990, proven reserves in these basins have shown a steady decline averaging

2.5 percent per year, and over the last five years annual production quantities have declined at a 2.9 percent rate.<sup>10</sup> This trend is expected to continue into the foreseeable future.

In contrast to the declines in the proven reserves in the Hugoton and Anadarko Basins, developed reserves in the Central Rocky Mountain area have increased by 121 percent between 1990 and 2001.<sup>11</sup> Annual average gas production from the Central Rocky Mountain area has increased by 1,944 MMcf/day during the period from 1990 to 2001, while production from the Hugoton and Anadarko Basins has decreased by 2,165 MMcf/day during the same period.<sup>12</sup>

The production declines in the Hugoton and Anadarko Basins have resulted in the underutilization of the existing pipeline capacity from these production areas to the major natural gas markets in the Mid-continent areas (*i.e.*, the areas served by the interstate and intrastate pipeline facilities into which the Cheyenne Plains pipeline will interconnect) even while

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<sup>10</sup> A more detailed explanation and description of the production trends in the Mid-continent and Central Rocky Mountain production basins is included under Exhibit H, Gas Supply Data, attached hereto.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

the demand for natural gas in these areas has increased. In direct contrast, the increase in production from the Central Rocky Mountain area, coupled with limited local growth in demand and limited increases in pipeline take-away capacity prior to 2003 has resulted in a surplus of gas supplies in this area. While Kern River Gas Transmission Company's 2003 Expansion Project<sup>13</sup> provides new and significant takeaway capacity from the Central Rocky Mountain area to western markets, this takeaway capacity does not sufficiently alone remedy the imbalance.

The overall growth in production in the Central Rocky Mountain area has been driven, in large part, by the rapid expansion of the coal bed methane production from the Powder River Basin in Wyoming. Production from the Powder River, which was below 200 MMcf/day as recently as 1997, exceeded 1 Bcf/day in 2002 and is expected to exceed 2 Bcf/day by 2007. Pipeline construction activity resulting from this increase in production has, to date, focused primarily on the development of capacity to move the production from the Powder River Basin to the Cheyenne Hub area, where the gas could enter downstream pipeline facilities to move to markets along the Front Range or to Mid-

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<sup>13</sup> See Kern River Gas Transmission Company, at Docket No. CP01-422-000 (100 FERC ¶ 61,056)(2002).

continent markets. WIC constructed its Medicine Bow Lateral in 1999 initially adding 260,000 Dth/day of capacity out of the Powder River Basin, followed by a 120,000 Dth/day expansion in 2000 and the construction of the Medicine Bow Loop in December of 2001, which added an additional 675,000 Dth/day of capacity from the Powder River Basin.<sup>14</sup> These projects have resulted in sufficient pipeline capacity to move the increased Powder River Production from the producing area to the Cheyenne Hub, but have now made evident the need for a means of moving this increased production from the Central Rocky Mountain area to the existing and underutilized Mid-continent interstate and intrastate pipelines. It is this need that the Cheyenne Plains Project has been designed to meet.

#### **DEVELOPMENT OF THE CHEYENNE PLAINS PROJECT AND MARKET REQUIREMENTS**

As with most major greenfield pipeline projects, the Cheyenne Plains Project has taken some time to develop the market momentum to move forward. By the time this Project is placed into service, it will have taken almost six years for the Cheyenne Plains Project to move from concept to operation.

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During the first three years, Cheyenne Plains, through CIG, has not only been in contact with potential shippers, it also identified a potential route, undertaken the required environmental surveys and been in contact with potentially affected landowners. Further, four separate open seasons for a Cheyenne Plains-type project have been conducted in September 2000, June 2001, October 2002 and, most recently, in March 2003.<sup>15</sup> The open season conducted in October 2002 yielded the most fruitful results for Cheyenne Plains.<sup>16</sup> A total of 12 precedent agreements for firm capacity were executed with various shippers for a total of 540,000 Dth/day of capacity on the Cheyenne Plains Project. As design work on the proposed pipeline project advanced, it was determined that an additional 20,000

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<sup>14</sup> See Wyoming Interstate Company, Ltd., at Docket No. CP99-102-000 (88 FERC ¶ 61,108); Docket No. CP99-624-000 (91 FERC ¶61,006); and Docket No. CP00-471-000 (95 FERC ¶ 61,246).

<sup>15</sup> After having been unsuccessful with two initial Cheyenne Plains open seasons, CIG offered a smaller version of the Project being proposed herein. Referred to as the "Watkins to Hugoton Project," this project would have moved approximately 100,000 Dth/day of Central Rocky Mountain gas supplies to Mid-continent pipelines. CIG conducted an open season for the Watkins to Hugoton Project between August 7, 2002 and September 6, 2002 and was later able to utilize the contractual commitments from this project for the larger and more efficient Cheyenne Plains Project.

<sup>16</sup> CIG and/or Cheyenne Plains conducted these open seasons for the new capacity pursuant to the Commission's recommendation issued on May 31, 1995 at Docket No. PL94-4-000 ("Pricing Policy").

Dth/day of capacity was available. A supplemental open season conducted in March 2003 resulted in two more contracts for the additional 20,000 Dth/day, for a collective total capacity of 560,000 Dth/day.<sup>17</sup> Table 1-1 below shows the 14 shippers and their respective subscription capacities on the Cheyenne Plains Project.

Table 1-1 Cheyenne Plains Project Subscription Amounts		
Name of Shipper	Contracted Amount (Dth/D)	Length of Contract Term (yrs.)
Anadarko Energy Services Company	100,000	10
BP Energy Company	40,000	10
ConocoPhillips Company	30,000	11
Enogex Inc.	60,000	10
Kansas Gas Service Company 1/	75,000	10
Kennedy Oil Company	15,000	10
Kerr-McGee Corporation	40,000	10
National Fuel Marketing Company	10,000	10
Noble Gas Marketing Inc.	4,560	10
Oneok Energy Trading and Marketing 2/	120,000	10
Palo Petroleum, Inc.	2,000	10
Westport Resources Corporation	43,440	10
Atmos Energy Corporation	11,000	15
Bill Barrett Corporation 3/	9,000	12.25/13.25
TOTAL	560,000	

<sup>17</sup> Copies of the 13 executed TSAs and the precedent agreement are being provided under Exhibit I attached hereto. Due to commercially sensitive information in the TSAs, Cheyenne Plains is seeking confidential treatment of the TSAs, pursuant to Section 385.112 of the Commission's Rules, at the request of various shippers. Cheyenne Plains will file the executed TSA in replacement of the precedent agreement as soon as it becomes available.

- 1/ The contracted gas amount with Kansas Gas Service Company in Year 1 is 75,000 Dth/day. In Year 2, the amount is ramped up to 100,000 Dth/day.
- 2/ The contracted gas amount with Oneok Energy Trading and Marketing in Year 1 is 120,000 Dth/day. In Year 2, the amount decreases to 95,000 Dth/day.
- 3/ The contracted gas amounts for Bill Barrett Corporation are divided as follows: 5,000 Dth/day for 13 years, 3 months; and 4,000 Dth/day for 12 years 3 months.

As shown on Table 1-1, of the 14 shippers, 11 have ten-year terms, one has an eleven-year term, one shipper (Bill Barrett Corporation) has a dual 12.25/13.25-year term, and one has a 15-year term.

As designed, the Cheyenne Plains Project will provide for the delivery of up to 560,000 Dth/day<sup>18</sup> of natural gas through a new system that possesses easy expansibility and, at the same time, offer interconnects with the interstate and intrastate pipeline transmission systems shown in Table 1-2.

Table 1-2 Cheyenne Plains Project Pipeline Interconnects	
Interconnect 1/	Milepost ("MP") Location
Colorado Interstate Gas Company	0.0 (origin)
Wyoming Interstate Company, Ltd.	0.0 (origin)
Kinder Morgan Interstate Pipeline Company ("KMI")	274.4
Natural Gas Pipeline of America ("NGPL")	358.8
Southern Star Central Gas Pipeline, LLC ("SSG")	374.2 (includes a 0.20-mile 20" O.D. lateral)
ANR Pipeline ("ANR")	378.2

<sup>18</sup> This equates to approximately 580,000 Mcf/day of capacity which also includes loss and unaccounted gas ("L&U"). For an in-depth explanation of pipeline design and capacity, refer to Exhibits G and G-II attached hereto.

Northern Natural Gas Company ("NNG")	379.8
Kansas Gas Services Company ("KGS")	3.0 on 8" O.D. Line No. 228A (located at MP 379.8 on Line No. 226A)
CMS Panhandle Eastern Pipeline ("PEPL")	4.0 on 30" O.D. Line No. 227A (located at MP 377.8 on Line No. 226A)

1/ Cheyenne Plains has been advised by Tri-State Burlington Power that it is interested in an interconnect for its electrical generating facility located near Burlington, Colorado. However, no specific location or configuration for this potential interconnect has been made. In anticipation of this future interconnect, Cheyenne Plains will install a side-valve on its 30" O.D. mainline in the vicinity of Burlington, Colorado that will permit Cheyenne Plains to build a future interconnect using its blanket certificate authorization.

The delivery to Mid-continent pipelines and markets will provide natural gas end-users with flexible, reliable access to natural gas from prolific Central Rocky Mountain sources. Likewise, the Cheyenne Plains Project will allow natural gas producers the ability to compete to meet the existing and predicted increased natural gas demands in the Mid-continent United States for the foreseeable future.

#### **DESCRIPTION OF FACILITIES**

The Cheyenne Plains Project will consist of approximately 380 miles of 30" O.D. pipeline, with appurtenances, commencing at

two points of interconnection with CIG and WIC located at the existing Cheyenne Hub<sup>19</sup>, and extending southeastward across northeastern Colorado and northwestern Kansas to the terminus in southwestern Kansas near the Town of Greensburg.<sup>20</sup> The Cheyenne Plains pipeline will have two Maximum Allowable Operating Pressure ("MAOP") ratings. The first 125 miles of the pipeline will have an MAOP of 1,615 psig, while the remainder of the pipeline will have an MAOP of 1,480 psig. This dual MAOP pipeline design allows Cheyenne Plains to compress the design gas volume with one station. Three short laterals will also be constructed as part of the Cheyenne Plains Project, a 4.0-mile 30" O.D. lateral, a 3.0-mile 8" O.D. lateral, and 0.20-mile 20" O.D. lateral. These laterals will permit Cheyenne Plains to interconnect with PEPL, KGS, and SSG, respectively. Exhibits G and G-II attached hereto provide a more detailed discussion of the operational characteristics of the Cheyenne Plains Project.

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<sup>19</sup> CIG and WIC will each construct their portion of the interconnect facilities in accordance with their respective blanket certificate authorities under Section 157.208(a). Other pipes at the Cheyenne Hub will be able to access Cheyenne Plains using CIG's hub service.

<sup>20</sup> A location of facilities map showing the proposed facilities is attached hereto under Exhibit F.

Compression totaling 30,930 HP (nameplate) will be installed at the origin of the pipeline located at the Cheyenne Hub. In addition, Cheyenne Plains will hold firm compression capacity on CIG. As stated earlier, CIG will file a companion Section 7(c) application with the Commission seeking authorization to construct, own, and operate a jumper compressor unit at its Cheyenne Compressor Station and to provide firm compressor service to Cheyenne Plains. Installation of this jumper compressor unit will allow gas being delivered from CIG into Cheyenne Plains to meet the minimum suction pressure requirements of the Cheyenne Plains compressors. CIG will own and operate the jumper compressor unit and charge Cheyenne Plains a firm compressor service charge.<sup>21</sup> Cheyenne Plains will hold the compression capacity on CIG; and CIG will offer this service as part of its tariffed transportation services.

Cheyenne Plains will also install metering facilities at the CIG and WIC interconnects, as well as at each of the pipeline interconnects identified in Table 1-2 as part of the Project. In order to meet carbon dioxide ("CO<sub>2</sub>") gas quality specifications

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<sup>21</sup> CIG conducted an open season for compression services from March 6, 2003 through March 20, 2003. Cheyenne Plains was the successful (and sole) bidder for the entire 119,500 Dth of compression service offered.

of the Cheyenne Plains Tariff, Cheyenne Plains also proposes to construct a single-train amine gas treatment plant at the Cheyenne Hub.<sup>22</sup>

In addition, Cheyenne Plains will be installing various appurtenant facilities including pigging facilities, 31 mainline valves, regulators, the auxiliary facilities at each meter station and auxiliary equipment and plant yard piping related to the compressor station installations. All of these facilities will be located within the pipeline, compressor station, and meter station rights-of-way; therefore, all have been covered by

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<sup>22</sup> Two of Cheyenne Plains' interconnecting pipelines have a more stringent CO<sub>2</sub> gas content requirement than the generally applicable 2 percent CO<sub>2</sub> requirement. One of the pipelines recently made a tariff filing with the Commission to raise this gas quality requirement to 2 percent. As to the second interconnecting pipeline, Cheyenne Plains has requested a waiver of the 1 percent CO<sub>2</sub> specification. If unsuccessful, Cheyenne Plains may have to construct a second amine gas treatment train at the Cheyenne Hub in order to comply with either pipeline's gas specification requirements. For the purposes of this Application, Cheyenne Plains has addressed the construction of a two-train amine gas treatment plant, thereby addressing the "worst-case" scenario for noise, water, emissions and surface disturbance. The effects are identified in the Environmental Report attached hereto under Exhibit F-I. Upon completion of the negotiations with the interconnecting pipelines, Cheyenne Plains will notify the Commission of the results and whether it will be necessary to construct a second amine gas treatment train.

environmental surveys conducted by Cheyenne Plains or its environmental consultant.

#### **SYSTEM CAPACITY AND OPERATIONS**

The initial firm capacity of the Cheyenne Plains Project is approximately 560,000 Dth/day<sup>23</sup> as illustrated in Exhibit G to this Application. This capacity represents the maximum capacity that will be available to flow from the Cheyenne Hub to the Greensburg area year-round.<sup>24</sup> The maximum capacity is based on a summer day analysis which Cheyenne Plains considers to be the most restrictive design and assumes gas being received at the Cheyenne Hub at approximately 920 psig and being delivered to the interconnections near Greensburg at a pressure of approximately 900 psig. Furthermore, the current design of the pipeline allows Cheyenne Plains to expand to accommodate future growth at reasonable costs and with relatively benign environmental impacts. If needed, Cheyenne Plains could install additional compression facilities at various points along the pipeline,

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<sup>23</sup> The volumetric capacity of the pipeline is 580,000 Mcf/day as described in Exhibit G.

<sup>24</sup> Although the Cheyenne Plains Project is designed to flow gas in an easterly direction, the system will also be able to accommodate backhauls by displacement.

subject to the receipt of necessary regulatory authorizations, that would provide significant incremental future capacity.

## **FINANCING, RECOVERY OF COSTS, AND TARIFF**

### **Capital Structure and Rate of Return**

It is anticipated that approximately 40 percent of the initial Cheyenne Plains Project costs will be funded with equity and the remaining 60 percent with commercial bank and/or capital market debt.<sup>25</sup> The recourse rate cost of service of \$0.3609/Dth is based on (1) an overall return on equity at 15.0 percent; (2) a 9.0 percent cost of debt; (3) a Federal and State income tax rate of 38.89 percent; and (4) a straight-line depreciation rate of 2.86 percent.<sup>26</sup> Cheyenne Plains' proposed return on

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<sup>25</sup> A more in-depth discussion of financing arrangements for the Cheyenne Plains Project is included under Exhibit L attached hereto.

<sup>26</sup> Attached hereto under Exhibit O, Cheyenne Plains has provided a detailed explanation of the depreciation rate established for this Project.

equity and debt result in an overall pre-tax return of 15.22 percent and is consistent with recent Commission orders on major construction projects.<sup>27</sup>

### **Requested Return on Equity**

Cheyenne Plains is requesting a 15 percent return on equity in determining its overall cost of capital. This equity return is based upon the relative risks associated with the project and assumed by Cheyenne Plains. Further, in determining the requested equity return, Cheyenne Plains reviewed the allowed returns the Commission has granted in major construction projects and new pipeline development, with particular emphasis on the indicated basis points between long-term debt cost and cost of equity.<sup>28</sup> Cheyenne Plains believes the 15 percent return is the financial market-required return for this project given the current capital market environment.

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<sup>27</sup> See Gulfstream Natural Gas System, LLC, at Docket No. CP00-6-000 [91 FERC Para. 61,119 at 61,463 (2001)]; North Baja Pipeline, LLC, at Docket No. CP01-22-000 [95 FERC Para. 61,259 at 61,916 (2001)]; and Greenbriar Pipeline Company, at Docket No. CP02-396-000 [101 FERC Para. 61,122 at 61,495 (2002)].

<sup>28</sup> Ibid.

### **Requested Depreciation Rate**

Cheyenne Plains will depreciate its gas transmission plant using a 2.86 percent straight-line depreciation rate for accounting purposes and for rate recovery based upon a 35-year useful life. The 35-year useful life was determined with heavy emphasis on relative gas supply for this project. Cheyenne Plains reviewed physical, technical, supply and market obsolescence in determining the appropriate useful life. Cheyenne Plains will also use the 2.86 percent rate for depreciation and amortization of general and intangible plant items.

### **Development of Rates**

The cost of the Cheyenne Plains Project will be borne by the new customers as evidenced by their TSAs. The recourse rates are based on full subscription of the design capacity and recovery of the entire cost of service in the maximum reservation rate, all as discussed in Exhibit N attached hereto. As further explained in Exhibits N and P hereto, Cheyenne Plains proposes that the initial recourse rate for firm transportation service under Rate Schedule FT will be a monthly reservation rate of \$10.9766/Dth and an initial commodity charge of \$0.0000. There will be no initial commodity charge for firm service on the

Cheyenne Plains Project due to the fact that unit variable costs are less than a hundredth of a cent on this system. The initial rate for interruptible transportation service under Rate Schedule IT will be a commodity rate of \$0.3609 per Dth, based on a 100 percent load factor derivation of the FT rate. The derivation of these rates is set forth in Exhibit N. Cheyenne Plains will also charge the ACA surcharge when permitted to do so by the Commission. Cheyenne Plains is providing under Exhibit N a detailed cost-of-service and an affidavit of Mr. Rex Adams explaining and supporting the rate derivation for the firm rate schedule. Additionally, Cheyenne Plains intends to retain fuel in-kind with an annual fuel recovery filing, all as more detailed in Section 26 of its pro forma tariff attached hereto under Exhibit P and as explained in Exhibit N.

### **Tariff**

Cheyenne Plains has prepared a proposed FERC Gas Tariff, Original Volume No. 1, which is included under Exhibit P. The pro forma tariff contains three provisions that are integral to Cheyenne Plains' participation in the Project. The three provisions involve (i) negotiated rate authority, (ii) a most-favored nation provision/right-of-first-refusal commitment, and (iii) a one-year credit requirement for expansion projects. The

three provisions are discussed in detail below and in the Affidavit of Mr. Robert T. Tomlinson attached hereto under Exhibit P. Since the provisions are crucial to the willingness of Cheyenne Plains and its shippers to proceed with the Project, Cheyenne Plains may be unable to accept a certificate from the Commission if the certificate does not approve these provisions. Therefore, Cheyenne Plains requests that the Commission examine the subject tariff provisions as a part of its initial review of the certificate application and approve the respective provisions in its Preliminary Determination on Non-Environmental Issues.

As evident in the TSAs being submitted under Exhibit I, Cheyenne Plains has worked diligently to eliminate any possible contract provisions which the Commission could find to be a material deviation. While some of the contracts have unique pre-construction requirements, these issues will be eliminated prior to the in-service date of the facilities. Therefore, Cheyenne Plains also respectfully requests the Commission include a finding in its Preliminary Determination on Non-Environmental Issues that none of the TSAs contain impermissible material deviations. Such a finding at the outset is essential to prevent Cheyenne Plains from being placed in a situation where it builds

facilities based on contracts that the Commission later finds to require reformation.

Cheyenne Plains proposes to offer basic firm and interruptible transportation services. Cheyenne Plains is also proposing to offer Hourly Entitlement Enhancement Nominations ("HEEN") and an interruptible swing service to shippers who may have end-use market requirements that cause variations in delivered quantities. While the initial shippers may not have a great demand for variations in delivered quantities, HEEN service would be ideal for future connected end-users that require uneven hourly flows, such as an electric generating facility. The Tariff has been prepared in conformance with the requirements of Part 154 of the Commission's Regulations Under the NGA and contains proposed rates, rate schedules, general terms and conditions, and forms of service agreements. In compliance with Order Nos. 636, Order No. 637, and other recent orders, the Tariff provides for an electronic bulletin board, a capacity release program, flexible receipt and delivery point rights, the right-of-first refusal on long-term maximum rate contracts, negotiated rate authority, and incorporation of North American Energy Standards Board ("NAESB") standards. Cheyenne Plains will file Standards of Conduct pursuant to Part 161 of the Regulations

prior to the commencement of service. Cheyenne Plains will submit actual tariff sheets in compliance with the Commission's order in this proceeding to coincide with the anticipated in-service date of the facilities.

### **Negotiated Rates**

In developing its Project, Cheyenne Plains made a diligent and early effort to accurately determine the expected recourse rate. Recognizing the fact that the recourse rate would not be confirmed until the Commission's issuance of an order and that the recourse rate could change over the contract life through a Section 4 rate proceeding, shippers were given the option to choose between the recourse rate or a negotiated rate. The 13 shippers who signed TSAs and the one shipper who has executed the precedent agreement for capacity on the Cheyenne Plains Project elected the certainty of a specified, negotiated rate that would be applicable for the entire term of the contract. In doing so, the shippers were able to better gauge their own financial exposure and at the same time provide Cheyenne Plains with the financial certainty that allows this Project to be financed and built. All of the negotiated rates are less than the proposed initial recourse rate and are fixed rates for the terms of the agreements. Cheyenne Plains was

willing to accept the risk associated with the granting of the negotiated rates for long term firm agreements with the initial shippers on this Project in exchange for the certainty and stability that such long term fixed rate agreements provide.

Negotiated rate tariff provisions are set forth in Section 29 of the General Terms and Conditions of the pro forma tariff being submitted under Exhibit P. For any negotiated rate transaction, the Tariff provisions require Cheyenne Plains to file with the Commission either its negotiated rate agreement or a tariff sheet stating the shipper name, the rate schedule, the negotiated rate, the receipt and delivery points, and the contract quantities. The Cheyenne Plains rate schedules set forth in the Tariff each provide that the ACA surcharge and the applicable fuel use and lost and unaccounted for gas reimbursement will apply to any negotiated rate. In accordance with the Commission's policy, Cheyenne Plains will keep separate and identifiable accounts for any quantities transported, billing determinants, rate components, surcharges, and revenue associated with its negotiated rates in sufficient detail that they can be identified in Statements G, I, and J, as necessary in any future NGA Section 4 or 5 rate case.

## **OPERATIONAL CONSIDERATIONS**

The Cheyenne Plains Project facilities will be operated and maintained in accordance with Federal safety standards<sup>29</sup> and pursuant to the General Terms and Conditions of Cheyenne Plains' FERC Gas Tariff. Operation and maintenance of the Cheyenne Plains pipeline facilities will be performed by CIG and ANR on behalf of Cheyenne Plains. Cheyenne Plains will execute an "Operations and Maintenance" agreement with CIG and ANR prior to the commencement of service of the Cheyenne Plains facilities.

## **IV.**

### **POLICY STATEMENT**

#### **Summary**

The Cheyenne Plains Project is consistent with the Commission's Construction Policy Statement. The Cheyenne Plains Project will provide markets east of the Rocky Mountains with access to alternative gas supplies from Central Rocky Mountain supply basins. As a new pipeline company without any existing customers, Cheyenne Plains will not rely on subsidization by existing customers and will not be subject to the "Threshold Requirement -- No Financial Subsidies" requisite in building new

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<sup>29</sup> Refer to Transportation of Natural and Other Gas by Pipeline, 49 CFR, Part 192.

facilities on existing pipelines.<sup>30</sup> Cheyenne Plains will not have any adverse impacts on existing customers, existing pipelines in the market, or their respective captive customers. Likewise, Cheyenne Plains will have minimal, if any, adverse impacts on landowners and communities affected by the location of the new facilities. Accordingly, Cheyenne Plains submits that the Project's significant public benefits outweigh any adverse impacts that may exist. As such, the Cheyenne Plains Project proposal is consistent with the Commission's Policy Statement.

#### **Impact on Existing Pipelines**

The proposed activities of Cheyenne Plains meet the criteria for the issuance of a certificate under Section 7 of the NGA as described in the Commission's "Statement of Policy."<sup>31</sup> Under this Policy Statement, one of the criteria taken into consideration by the Commission " ...is whether the project can

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<sup>30</sup> See Docket No. PL99-3-000 issued September 15, 1999, pp. 19-20.

<sup>31</sup> Certification of New Interstate Natural Gas Pipeline Facilities at Docket No. PL99-3-000, et al.; Statement of Policy, 88 FERC ¶ 61,227, 64 Fed. Reg. 51,309 (1999) ("Policy Statement"), Order Clarifying Statement of Policy, 90 FERC 61,128, 65 Fed. Reg. 7862 ("Clarifying Order"), Order Further Clarifying Statement of Policy, 92 FERC ¶ 61,094, 65 Fed. Reg. 48,236 (2000).

proceed without subsidies from [the pipeline's] existing customers."<sup>32</sup> The purpose of the proposed Cheyenne Plains Project is to provide Central Rocky Mountain supply access to markets east of the Rockies. This is a new pipeline company with new customers subscribing to the entire pipeline capacity and there are no existing customers. Therefore, there is no possible subsidization issue present, and the Project as proposed is consistent with the Commission's directive that states, "Generally, construction of a pipeline whose rates are unsubsidized will not be considered to have an adverse effect on an existing pipeline."<sup>33</sup>

With regard to whether Cheyenne Plains has made "... efforts to eliminate or minimize any adverse effects the project might have on existing pipelines in the market and their captive customers,"<sup>34</sup> Cheyenne Plains believes that there are no adverse impacts on existing pipelines in the market and their captive customers. From a design standpoint, the Cheyenne Plains

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<sup>32</sup> See Policy Statement, 64 Fed. Reg. at 51,315.

<sup>33</sup> See Clarifying Order, 90 FERC at 61,397, 65 Fed. Reg. 7862, 7867 (2000).

<sup>34</sup> See Policy Statement, 90 FERC ¶ 61,128, 65 Fed. Reg. 7862 (2000).

Project is designed as a supply access project that will transport Central Rocky Mountain gas supplies to various Mid-continent pipelines. To be sure, those eight interstate pipelines and one intrastate pipeline to be interconnected with the Cheyenne Plains pipeline will be affected by this Project; however, the impact will be positive rather than negative. The Cheyenne Plains Project will enable the interstate and intrastate gas markets to better utilize already existing pipeline infrastructure and, thus, will enhance efficiency of the national interstate grid. Furthermore, with respect to CIG's companion Section 7(c) filing for a jumper compressor unit at its Cheyenne Compressor Station that will provide firm compression service to Cheyenne Plains, the effect on captive customers from this activity will be to enhance operational flexibility as described in that application, and there will be no adverse impacts. Accordingly, Cheyenne Plains does not believe that there will be any adverse effects on other pipelines or their captive customers.

#### **Impact on Landowners**

As identified earlier in Article III of this Application, Cheyenne Plains has been exploring potential routes for three years. Based on this preliminary work, Cheyenne Plains believes

its facilities have been designed in a manner to minimize the impact on landowners and the environment. To the extent possible, Cheyenne Plains has tried to utilize existing utility corridors for siting its pipeline. Cheyenne Plains has also based its routing on existing land use, populated areas, surface topography, geologic considerations and environmental factors, as well as landowner and community input. The current routing for the pipeline follows approximately 26.5 miles of existing fiber optic right-of-way corridor. The existing route also provides proximity to roads and highway infrastructure that will permit Cheyenne Plains quick access to facilities for maintenance and emergencies. In addition, the siting for the compression and the amine treatment plant will be adjacent to an existing compressor facility at the Cheyenne Hub.

As part of this Application, Cheyenne Plains is following the landowner notification requirements promulgated by the Commission in Order Nos. 609 and 609-A.<sup>35</sup> Cheyenne Plains has identified approximately 1,000 affected landowners along the selected route (650 directly affected landowners and 350 abutting

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<sup>35</sup> Landowner Notification, Expanded Categorical Exclusions, and Other Environmental Filing Requirements, Order No. 609, Docket No. RM98-17-000, issued October 13, 1999. See FERC Stats. and

landowners).<sup>36</sup> Although Cheyenne Plains has already commenced its stakeholder outreach program to communicate with affected landowners, Cheyenne Plains will make a good faith effort to serve affected landowners [as defined in 18 C.F.R. §157.6(d) (2)] and the other parties designated in Order Nos. 609 and 609-A with a landowner notification letter within three days after the Commission issues its notice of this Application.<sup>37</sup> The notice will contain the information prescribed by the Commission in 18 C.F.R. §157.6(d) (3). Also, within 14 days after a docket number is assigned to this filing, Cheyenne Plains will twice publish a notice of the Project in the newspapers of general circulation in the affected counties in Colorado and Kansas. Cheyenne Plains will also place copies of this Application and any associated filings in public libraries of the affected project areas within 3 days after a docket number is assigned to

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Regs. Para. 31,082. Order on Rehearing, Order No. 609-A, 90 FERC Para. 61,259 (2000).

<sup>36</sup> A list of affected landowners is included in Report 1 of the Environmental Reports provided herein under Exhibit F-I.

<sup>37</sup> If any notice to an affected landowner is returned to Cheyenne Plains as non-deliverable, Cheyenne Plains will make a reasonable attempt to locate the correct address for notifying the affected landowner. An updated landowner list and information about the returned notices will be filed with the Commission within 30 days of the date of filing this Application. A copy of the landowner notification package is attached hereto as Exhibit Z-2.

this filing. A list of these newspapers and public libraries is provided in Environmental Resource Report 1, attached hereto under Exhibit F-I.

### **Impact on the Environment**

Attached hereto, as Exhibit F-I, are the environmental Resource Reports prepared in accordance with the Commission's recently promulgated regulations and certificate filing requirements, as established in Order No. 603, et seq., and codified at Section 380.12 of the Commission's Rules of Practice and Procedure. In its Resource Reports, Cheyenne Plains identifies the procedures it will use to mitigate the effects of pipeline construction. The completed surveys support the conclusion that the Project will have no significant impact on the quality of human health or the environment.

### **Public Benefits**

As described in this Application, the Cheyenne Plains Project will provide public benefits to its shippers by offering the ability to transport Central Rocky Mountain gas supplies to the interconnections with existing, underutilized interstate and intrastate gas pipelines serving Mid-continent gas markets. The

services provided by the Cheyenne Plains pipeline will permit the continued utilization of those existing pipelines to meet the growth in markets east of the Rockies and will allow excess production from the Central Rocky Mountain area to compete to replace the reduced production from the Anadarko and Hugoton Basins. Further, if shippers desire an expansion of the Cheyenne Plains pipeline capacity, the proposed design for the Cheyenne Plains Project offers expansion capabilities which are both environmentally benign and relatively inexpensive through the addition of compression.

States and communities upstream and along the proposed route of the Cheyenne Plains Project stand to benefit economically from the Project. By accessing markets outside of the Rocky Mountain Front Range and California, Central Rocky Mountain producers will have the opportunity to access additional markets for their abundant gas supplies. This, in turn, is expected to support an increase in their drilling activities in the area. The expected increased production in the Central Rocky Mountain areas will result in state and local governments in Wyoming and Colorado seeing increased revenues from royalty payments and ad valorem taxes.

The states and communities along the pipeline route will also enjoy temporary economic benefits during the Project construction from increased local employment, as well as local spending by the construction workforce. Tax revenues generated from the increased spending by the construction workforce, as well as the long term property tax revenues from the Cheyenne Plains facilities, will benefit the affected communities in Colorado and Kansas.

#### **Policy Statement Conclusion**

Cheyenne Plains believes that the proposed Project is consistent with the Commission's Policy Statement at Docket Nos. PL99-3-000 and 001 due to the mitigated environmental impact of the Project, combined with the absence of any adverse effects to existing customers, other existing pipelines in the market and their captive customers.

**V.**

#### **NEPA PRE-FILING AND PARTICIPATION**

Cheyenne Plains has sought direct landowner, community and Federal, state and local agency input in designing its Project. Cheyenne Plains initiated the Commission's National

Environmental Protection Act ("NEPA") pre-filing procedures on January 24, 2003, to identify potential issues related to the Cheyenne Plains Project.<sup>38</sup> As part of this process, Cheyenne Plains has been in on-going consultations with the affected Federal, state and local government agencies. Likewise, Cheyenne Plains has also held the following five open house meetings along the proposed route for the Cheyenne Plains Project:

1. February 18, 2003 Greely, Colorado
2. February 19, 2003 Fort Morgan, Colorado
3. February 20, 2003 Burlington, Colorado
4. February 25, 2003 Scott City, Kansas
5. February 26, 2003 Dodge City, Kansas

Furthermore, on March 14, 2003, the Commission issued its notice of pre-filing environmental review and scoping for the Cheyenne Plains Project and request for comments on environmental

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<sup>38</sup> See the letter from the Commission dated January 24, 2003 at Docket No. PF03-1-000 agreeing to Cheyenne Plains' participation in the NEPA pre-filing process. Additionally, as part of the NEPA pre-filing procedures, Cheyenne Plains also agreed to fund a third-party contractor for review of environmental information supplied by Cheyenne Plains and the corresponding preparation of environmental review documents. The Commission staff selected Natural Resources Group, Inc. ("NRG") as the third-party contractor for the review of the environmental data and the preparation of the environmental impact statement.

issues.<sup>39</sup> As part of the pre-filing environmental review, Commission staff issued comments to Cheyenne Plains on April 14, 2003, related to draft resource reports that had been previously submitted to the Commission. Cheyenne Plains has incorporated these comments in its environmental resource reports and will respond to the Commission staff's questions by May 30, 2003.

Cheyenne Plains has been in contact with potentially affected agricultural landowners to address the Project's effects on agricultural lands and operations. In addition to crop loss payments, repairs to irrigations systems and right-of-way restoration, Cheyenne Plains will also work with these landowners with regard to the timing associated with land cultivation and the construction of the pipeline. Cheyenne Plains will continue

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<sup>39</sup> Attached under Exhibit Z-1, Cheyenne Plains is providing a summary of comments and responses to the parties' concerns. Specifically, Cheyenne Plains has included: (i) responses to comments filed by various parties at Docket No. PF03-1-000; (ii) responses to "typical" questions raised at open house meeting conducted by Cheyenne Plains; (iii) documentation related to consultations pertaining to the crossing of the Santa Fe Trail by the Cheyenne Plains pipeline; (iv) telephone logs of calls from landowners affected by the Cheyenne Plains Project; and (v) Cheyenne Plains' Stakeholder Outreach Plan and logs of agency meeting contacts made by Cheyenne Plains.

to work with these and the other affected landowners in identifying any other potential issues of concern. Cheyenne Plains land acquisition representatives are readily available to discuss such issues. Cheyenne Plains has also developed a quarterly newsletter for affected landowners that provides project status updates and addresses landowner concerns that have been raised by respective landowners. Further, Cheyenne Plains has set up a website (<http://www.elpaso.com/cheyenne/>) that is periodically updated with new information pertaining to the Cheyenne Plains Project. Based on this preliminary and ongoing work, Cheyenne Plains anticipates that there will be no significant impact to the affected landowners.

## **VI.**

### **PUBLIC CONVENIENCE AND NECESSITY**

The construction, ownership, and operation authorization sought herein is required for the Cheyenne Plains Project and is necessary for Cheyenne Plains to provide the requested transportation service to deliver prolific Central Rocky Mountain natural gas supplies to new and existing Mid-continent and eastern markets. Cheyenne Plains believes its request is required by, and will serve, the present and future public convenience and necessity as follows:

- The Cheyenne Plains Project will provide Central Rocky Mountain producers with additional opportunities to access underutilized natural gas interstate and intrastate pipelines that will deliver to interconnecting markets.
- The Cheyenne Plains Project is fully supported by its customers as demonstrated by the signed TSAs.
- The Cheyenne Plains Project will provide end-users with flexible, reliable access to a new, prolific gas supply source.
- The Cheyenne Plains Project will provide increased tax revenues for the States of Colorado and Wyoming from new natural gas production and to the States of Colorado and Kansas from pipeline construction revenues and property taxes.
- As demonstrated by the Report on Environmental Factors included as a part of Exhibit F-I, the proposed construction will have no significant adverse environmental impact.

## VII.

### **REQUEST FOR PRELIMINARY DETERMINATION ON NON-ENVIRONMENTAL ISSUES**

Cheyenne Plains respectfully requests that the Commission make a Preliminary Determination on Non-Environmental Issues by November 20, 2003 and specifically review and provide preliminary approval of the following financial, rate and tariff provisions which are integral to the Cheyenne Plains Project and are more fully discussed herein:

- (i) Negotiated rate authority (See Affidavits of Mr. Rex Adams and Mr. Robert T. Tomlinson under Exhibits N and P, respectively);
- (ii) Authorized return on equity (See Exhibit L);
- (iii) Proposed depreciation rate (See Exhibit O);
- (iv) Most-favored nation provision/right-of-first-refusal commitment (See Affidavit of Mr. Robert T. Tomlinson under Exhibit P);
- (v) One-year credit requirement for expansion projects (See Affidavit of Mr. Robert T. Tomlinson under Exhibit P); and
- (vi) Finding of permissibility on any potential TSA material deviations (See Affidavit of Mr. Robert T. Tomlinson under Exhibit P).

## **VIII.**

### **ADDITIONAL AUTHORIZATIONS**

As a part of becoming an open-access natural gas company providing for the transportation of natural gas, Cheyenne Plains requests the Commission's authorization to render the following described services.

#### **Blanket Transportation Authority**

In addition to a certificate of public convenience and necessity to construct and operate the Cheyenne Plains Project, Cheyenne Plains requests, pursuant to Section 7 of the NGA and Section 284.221 of the Commission's Regulations, a blanket certificate of public convenience and necessity enabling it to provide open-access transportation service. In accordance with Section 284.221(b)(1)(ii), Cheyenne Plains states that it will

comply with Section 284.221(c), thereby subjecting its blanket certificate to the conditions of Part 284, Subpart A of the Commission's Regulations.

The granting of Cheyenne Plains' request for blanket certificate authority will allow it to provide firm and interruptible open-access transportation service on a nondiscriminatory basis to all parties requesting such service consistent with the terms and conditions set forth in Cheyenne Plains' pro forma FERC Gas Tariff, Original Volume No. 1, attached as Exhibit P.<sup>40</sup> Cheyenne Plains proposes to provide firm and interruptible transportation service under Rate Schedules FT and IT, respectively, in conformance with 18 CFR Part 284, Subparts B and G. In addition, both rate schedules, the general terms and conditions, and pro forma gas transportation service agreements applicable to service provided under Rate Schedules FT and IT, are included with this filing.

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<sup>40</sup> At such time as certificate authority is granted in this proceeding, Cheyenne Plains will file its FERC Gas Tariff, Original Volume No. 1, to become effective in accordance with the applicable order.

### **Blanket Construction/Abandonment Authority**

Cheyenne Plains also requests, pursuant to Section 7 of the NGA and Section 157.204 of the Commission's Regulations, a blanket certificate of public convenience and necessity authorizing, inter alia, certain construction and operation of facilities and certain amendments and abandonments under Section 7 of the NGA.<sup>41</sup> Cheyenne Plains believes that the issuance of the requested authorization will permit the expeditious response to the needs of the public it will serve and is required by the present and future public convenience and necessity.

### **Gas for System Operations**

Cheyenne Plains requests, pursuant to Section 7 and Sections 157, et seq., as necessary, such authorizations as may be necessary for the sale of gas as required for system operations. As indicated in the pro forma tariff attached at Exhibit P hereto, Cheyenne Plains proposes to provide for system balancing on a monetary basis only. Therefore, it may become necessary to purchase and/or sell natural gas for load balancing

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<sup>41</sup> A blanket certificate issued pursuant to 18 CFR Part 157, Subpart F, authorizes the certificate holder to engage in any of the activities specified in Sections 157.208 through 157.218 of the Commission's Regulations.

and line pack purposes. Therefore, Cheyenne Plains requests any necessary authorizations to conduct such activities.

Currently, Cheyenne Plains neither owns nor operates any interstate pipeline facilities nor does it provide any services subject to the Commission's jurisdiction. However, upon receipt of the authorizations requested herein, the construction of the proposed facilities, and commencement of operations as proposed in this Application, Cheyenne Plains will become a "natural gas company." Cheyenne Plains is a newly formed company and therefore, it has no outstanding budget-type certificates issued pursuant to Section 157.7 of the Commission's Regulations.

Cheyenne Plains states that it will comply with the terms, conditions and procedures specified in 18 CFR Section 157, Subpart F. Cheyenne Plains requests certificate authority to own and operate facilities that will be utilized to provide open-access transportation services in accordance with the blanket certificate authority also sought in this filing. Therefore, Cheyenne Plains has not submitted any sale for resale or storage service rate schedules with this Application. Because Cheyenne Plains has no budget-type certificate issued under Section 157.7(d) of the Commission's Regulations for any underground

storage facility, no storage field tests are ongoing under such certificate.

## IX.

The facilities Cheyenne Plains seeks specific authorization to construct, own, and operate are described as follows:

### **Cheyenne Plains Pipeline (Line No. 226A)<sup>42</sup>**

1. For the first 125-mile segment of pipe operating at a 1,615 MAOP, install 30" O.D. x .482 w.t., double submerged arc welded ("DSAW"), steel line pipe conforming with API 5L.
2. For the remaining 255-mile segment operating at a 1,480 MAOP, install 30" O.D. x .441 w.t., DSAW, steel line pipe conforming with API 5L.

### **Compression**

Install three Solar Taurus 70 Compressor Units, each with a nameplate power rating of 10,310 HP, with appurtenances, located at the Cheyenne Hub in Section 5, Township 11 North Range 66 West, Weld County, Colorado.

### **Laterals**

1. Install a 30" O.D. segment of pipeline (Line No. 227A, "South Rattlesnake Creek Lateral") extending 4.0 miles northeastward from approximately Milepost 378.1 of Line No. 226A and terminating at the PEPL Interconnect Meter Station in Sections 9, 10, 11, 14, 13, Township 28 South, Range 19 West and Sections 18 and 7, Township 28 South, Range 18 West, Kiowa County, Kansas.
2. Install an 8" O.D. segment of pipeline (Line No. 228A, "Cossel Lake Lateral") extending 3.0 miles southward from the terminus of Line No. 226A and terminating at the KGS Interconnect Meter Station in Sections 21, 28, 23, Township

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<sup>42</sup> Wall thickness may vary according to different design factor changes, i.e., road and/or river crossings.

28 South, Range 19 West and Section 4, Township 29 South, Range 19 West, Kiowa County, Kansas.

3. Install a 20" O.D. segment of pipeline (Line No. 229A, "Sand Dune Lateral") extending approximately 0.20 miles south from SSG Interconnect Meter Station to SSG's pipeline in Section 31, Township 27 South, Range 19 West, and Section 36, Township 27 South, Range 20 West, Kiowa County, Kansas

#### **Receipt Meter Stations**

CIG Interconnect Meter Station

Install one 10" ultrasonic meter run, with appurtenances, located at the Cheyenne Hub in Section 5, Township 11 North, Range 66 West, Weld County, Colorado.

WIC Interconnect Meter Station

Install two 12" ultrasonic meter runs, with appurtenances, located at the Cheyenne Hub in Section 5, Township 11 North, Range 66 West, Weld County, Colorado.

#### **Delivery Meter Stations**

Cheyenne Plains is currently in negotiations with the various interconnecting pipelines in order to finalize the specifications for the delivery interconnects. Given the uncertainty, it is possible that the specifications for the delivery interconnect meter station scopes may change. Since the final configuration for each of the interconnects is not known, the metering equipment at the delivery interconnects may range from a meter station configuration having one 2" O.D. senior orifice meter run, one 4" senior orifice meter run, and one 8" O.D. senior orifice meter run, with appurtenances, to a meter station having one 6" ultrasonic meter run, two 12" ultrasonic meter runs, and one 2" O.D. senior orifice meter run, with appurtenances. However, Cheyenne Plains anticipates completing

the negotiations with the interconnecting pipelines by no later than September 1, 2003. By that point in time, Cheyenne Plains will submit to the Commission final meter station configurations for each of the delivery interconnect meter stations. The location descriptions for each of the delivery interconnect meter stations is provided below.

KMI Interconnect Meter Station

Located at approximately Milepost 274.4 on the 30" O.D. Line No. 226A in Section 26, Township 17 South, Range 32 West, Scott County, Kansas.

NGPL Interconnect Meter Station

Located at approximately Milepost 358.8 on the 30" O.D. Line No. 226A in Section 7, Township 26 South, Range 21 West, Ford County, Kansas.

SSG Interconnect Meter Station

Located at approximately Milepost 374.2 on the 30" O.D. Line No. 226A in Section 31, Township 27 South, Range 19 West, Kiowa County, Kansas.

ANR Interconnect Meter Station

Located at approximately Milepost 378.2 on the 30" O.D. Line No. 226A in Section 16, Township 28 South, Range 19 West, Kiowa County, Kansas.

NNG Interconnect Meter Station

Located at approximately Milepost 379.8 on the 30" O.D. Line No. 226A in Section 21, Township 28 South, Range 19 West, Kiowa County, Kansas.

KGS Interconnect Meter Station

Located at approximately Milepost 3.0 on the 8" O.D. Line No. 228A in Section 4, Township 29 South, Range 19 West, Kiowa County, Kansas.

PEPL Interconnect Meter Station

Located at approximately Milepost 4.0 on the 30" O.D. Line No. 227A in Section 7, Township 28 South, Range 18 West, Kiowa County, Kansas.

In addition, Cheyenne Plains will install the following appurtenant facilities, pursuant to Section 2.55(a) of the Commission's Statements of General Policy and Interpretations Under the Natural Gas Act:

- An Amine Gas Treatment Plant to be located at the Cheyenne Hub;
- Pig launching and receiving equipment;
- A side-valve located near Burlington, Colorado;<sup>43</sup>
- Mainline block valves at approximately 17-mile intervals along the pipeline; and
- Auxiliary equipment at each of the meter stations that will include certain electronic flow measurement equipment, chromatographs, valves, buildings, and piping.

Cheyenne Plains certifies that all of the proposed facilities will be designed, constructed, tested, operated and maintained in accordance with the requirements of Title 49 CFR, Part 192 of the U.S. Department of Transportation's regulations and other applicable Federal and state safety regulations.

The specific locations of Cheyenne Plains' facilities are shown on the map included in Exhibit F hereto. The facilities

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<sup>43</sup> As described in Article III of this Application, in anticipation of a future interconnect with Tri-State Burlington Power, Cheyenne Plains will install a side-valve on its 30" O.D. mainline in the vicinity of Burlington, Colorado that will permit Cheyenne Plains to build a future interconnect using its blanket certificate authorization.

are estimated to cost approximately \$331,815,200 as detailed in Exhibit K hereto. The facilities will be operated, and maintained by Cheyenne Plains' affiliate, CIG and ANR. Consistent with production needs and the needs of the market, Cheyenne Plains is planning to place the facilities into service no later than August 2005. Because of the time that is required to construct the Cheyenne Plains Project, construction is expected to commence in April 2004.

**X.**

Upon the granting of the authority requested herein and the acceptance thereof, Cheyenne Plains will make a timely filing, pursuant to Section 154 of the Commission's Regulations, of its FERC Gas Tariff, Original Volume No. 1.

Other than the Section 7(c) application to be filed by CIG for the jumper compressor unit at its Cheyenne Compressor Station described herein and any permits described in the Environmental Resource Reports attached herein under Exhibit F-I, Cheyenne Plains knows of no other application to supplement or effectuate the proposal herein which is required to be filed by Cheyenne Plains or any other person with this Commission or with any other Federal, state, or other regulatory body.

**XI.**

In accordance with Section 157.14 of the Commission's Regulations, the following exhibits are attached, incorporated by reference, or omitted for the reasons indicated.

**EXHIBIT A - ARTICLES OF INCORPORATION AND BYLAWS**

Attached as Exhibit A is a copy of Cheyenne Plains' Bylaws, effective February 12, 2003 and Cheyenne Plains' Articles of Incorporation.

**EXHIBIT B - STATE AUTHORIZATIONS**

Cheyenne Plains Gas Pipeline Company, a Delaware corporation, is authorized to conduct business as a foreign corporation in the States of Wyoming, Colorado and Kansas. Attached as Exhibit B is a detailed listing of Cheyenne Plains' state authorizations.

**EXHIBIT C - COMPANY OFFICIALS**

Attached as Exhibit C is a current listing of Cheyenne Plains' Company Officials.

**EXHIBIT D - SUBSIDIARIES AND AFFILIATION**

Cheyenne Plains is a wholly-owned indirect subsidiary of El Paso Corporation. Attached as Exhibit D is a list of Cheyenne Plains' Subsidiaries and Affiliations.

**EXHIBIT E - OTHER PENDING APPLICATIONS AND FILINGS**

Other than the Section 7(c) application to be filed contemporaneously by CIG for the jumper compressor unit, as described herein, there are no applications or filings made by Cheyenne Plains with and now pending before this Commission that directly and significantly affect this Application. This exhibit is therefore omitted.

**EXHIBIT F - LOCATION OF FACILITIES**

Attached as Exhibit F are geographical maps reflecting the location of the proposed facilities.

EXHIBIT F-I - REPORT ON ENVIRONMENTAL FACTORS

Attached as Exhibit F-I is the Environmental Report. As to certain voluminous attachments such as the topographic maps, aerial alignment sheets, Cheyenne Plains is filing full-sized sets and reduced-sized sets of the diagrams with the original of the Application to be filed with the Commission Secretary. In addition, Cheyenne Plains will file two copies of the Application containing both full-sized sets and reduced-sized sets of the diagrams with the Office of Energy Projects.

EXHIBIT G - FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED FACILITIES ADDED

Attached as Exhibit G are an explanation of the exhibit and a flow diagram reflecting the design capacity and operating conditions of the proposed facilities.

EXHIBIT G-I - FLOW DIAGRAMS REFLECTING MAXIMUM CAPABILITIES

Given that the summer design capacity being represented in Exhibit G already represents the maximum capabilities of the Cheyenne Plains Project, i.e., the compression at Cheyenne is discharging at MAOP, no Exhibit G-I is being submitted as a part of this Application.

EXHIBIT G-II - FLOW DIAGRAM DATA

Attached as Exhibit G-II is a statement of engineering design data in explanation and support of the flow diagram submitted as part of Exhibit G.

EXHIBIT H - TOTAL GAS SUPPLY DATA

Attached as Exhibit H, Cheyenne Plains is providing a narrative on gas supply data pertaining to the Cheyenne Plains Project.

EXHIBIT I - MARKET DATA

Attached as Exhibit I are copies of the 13 executed TSAs and the one precedent agreement discussed in this Application. Cheyenne Plains is seeking confidential treatment of these agreements as requested by various shippers who do not want to disclose market sensitive rate information.

EXHIBIT J - CONVERSION TO NATURAL GAS

This exhibit is inapplicable and is omitted.

EXHIBIT K - COST OF FACILITIES

Attached as Exhibit K is a schedule detailing the estimated cost of facilities proposed to be constructed and operated.

EXHIBIT L - FINANCING

Submitted hereto is a narrative describing the financing arrangements for the Cheyenne Plains Project and the pro forma income statement, balance sheet and cash flow statement.

EXHIBIT M - CONSTRUCTION, OPERATION AND MANAGEMENT

Operation and maintenance of the Cheyenne Plains pipeline facilities will be performed by CIG and ANR on behalf of Cheyenne Plains. No agreement has yet been executed for these services, therefore, this exhibit is omitted.

EXHIBIT N - REVENUES-EXPENSES-INCOME

Attached as Exhibit N are several schedules reflecting the estimated cost-of-service, the estimated revenues, and the derivation of the initial rates. Cheyenne Plains is also submitting the affidavit of Mr. Rex Adams explaining and supporting the rate derivation for the Project.

EXHIBIT O - DEPRECIATION AND DEPLETION

Submitted hereto as part of Exhibit O, Cheyenne Plains is providing an explanation of its proposed depreciation rate.

EXHIBIT P - TARIFF

Attached hereto as Exhibit P are those pro forma tariff sheets necessary to effectuate Cheyenne Plains' FERC Gas Tariff, Original Volume No. 1 for the new interstate pipeline company. Cheyenne Plains is also submitting the affidavit of Mr. Robert T. Tomlinson explaining and supporting the proposed tariff and its various provisions for the Project. Cheyenne Plains will file the pro forma tariff sheets, pursuant to Part 154 of the Commission's Regulations, upon grant of the authorizations requested herein.

EXHIBIT Z-1 - NEPA PRE-FILING PROCESS: STAKEHOLDER INVOLVEMENT  
DOCUMENTATION FOR CHEYENNE PLAINS PROJECT

Attached hereto as Exhibit Z-1 are various items related to Cheyenne Plains' NEPA pre-filing activity. Specifically, Cheyenne Plains has included: (i) responses to comments filed by various parties at Docket No. PF03-1-000; (ii) responses to "typical" questions raised at open house meeting conducted by Cheyenne Plains; (iii) documentation related to consultations pertaining to the crossing of the Santa Fe Trail by the Cheyenne Plains pipeline; (iv) telephone logs of calls from landowners affected by the Cheyenne Plains Project; and (v) Cheyenne Plains' Stakeholder Outreach Plan and logs of agency meeting contacts made by Cheyenne Plains.

EXHIBIT Z-2 - SAMPLE LANDOWNER NOTIFICATION PACKAGE

Attached hereto as Exhibit Z-2 is a sample landowner notification package that includes all the materials that will be sent to affected landowners along the route of the proposed Cheyenne Plains Project.

EXHIBIT Z-3 - MISCELLANEOUS SECTION 2.55(a) AUXILIARY FACILITIES

Attached hereto as Exhibit Z-3 is a list of all Section 2.55(a) auxiliary facilities that will be constructed as a part of the proposed Cheyenne Plains Project.

**XII.**

Appended hereto is a statement in conformity with Section 2.1 of the Commission's Statements of General Policy and Interpretations and Section 157.6(b)(7) of the Commission's Regulations Under the NGA suitable for publication in the Federal Register, summarizing this Application.

**XIII.**

WHEREFORE, Cheyenne Plains respectfully requests, a certificate of public convenience and necessity, under Section 7 of the NGA, to construct and operate the Cheyenne Plains Pipeline facilities located in the States of Colorado and Kansas; authorization for its proposed recourse rates for transportation service and approval of its Pro Forma Tariff; and issuance of two blanket certificates of public convenience and necessity enabling Cheyenne Plains to provide open-access transportation service and authorization for the construction, ownership, and operation of facilities and certain certificate amendments and abandonments.

Cheyenne Plains also respectfully requests a Preliminary Determination of Non-Environmental Issues be issued by the Commission authorizing the various financing, rate and tariff provisions discussed herein which are integral to the Cheyenne Plains Project.

Respectfully submitted,

CHEYENNE PLAINS GAS PIPELINE COMPANY

By \_\_\_\_\_  
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Dated: May 19, 2003