

171 FERC ¶ 61,054
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Richard Glick, Bernard L. McNamee,
and James P. Danly.

Cheyenne Connector, LLC

Docket No. CP18-102-001

ORDER AMENDING CERTIFICATE

(Issued April 20, 2020)

1. On February 24, 2020, Cheyenne Connector, LLC (Cheyenne Connector) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA)¹ and Part 157 of the Commission's regulations² to amend its certificate of public convenience and necessity, issued on September 20, 2019, authorizing Cheyenne Connector to construct and operate a new 70-mile-long natural gas pipeline system in Weld County, Colorado (Cheyenne Connector Project).³ Cheyenne Connector seeks to revise its initial cost-based recourse rates to reflect changes in the project's cost of construction.

2. For the reasons discussed below, we will approve Cheyenne Connector's requested amendment.

I. Background

3. The Certificate Order authorized Cheyenne Connector⁴ to construct and operate the Cheyenne Connector Project, a greenfield system consisting of 70 miles of 36-inch-diameter natural gas pipeline in Weld County, Colorado, four interconnect

¹ 15 U.S.C. § 717f(c) (2018).

² 18 C.F.R. pt. 157 (2019).

³ *Cheyenne Connector, LLC*, 168 FERC ¶ 61,180 (2019) (Certificate Order).

⁴ Cheyenne Connector, a Delaware limited liability company with its principal place of business in Kansas, is an indirect wholly-owned subsidiary of Tallgrass Energy Partners, LP and does not currently own any pipeline facilities, nor is it engaged in any natural gas transportation operations. Upon commencement of operations proposed in its application, Cheyenne Connector 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.

and measurement facilities, and ancillary facilities. The project is designed to provide up to 600,000 Dekatherms (Dth) per day of firm transportation service from natural gas processing plants in Weld County, Colorado, to a delivery point at Rockies Express Pipeline LLC's Cheyenne Hub facilities.⁵

4. The Certificate Order approved Cheyenne Connector's proposed initial recourse rates for service on the project, subject to a condition directing Cheyenne Connector to either revise its system rates to reflect an allocation of costs to Rate Schedule ITS service or credit 100% of the interruptible and authorized service revenues, net of variable costs, to its maximum rate firm and interruptible shippers.⁶

II. Proposal

5. In its application, Cheyenne Connector requests authorization to revise the cost-based initial recourse rates for firm and interruptible transportation service approved in the Certificate Order. Cheyenne Connector explains that construction costs for the project have increased due to several unforeseen factors, including: (1) a substantial rise in costs associated with land acquisition, including associated legal fees and labor; (2) additional charges to retain Cheyenne Connector's contractors during unanticipated scheduling delays;⁷ and (3) renegotiations of construction contracts for winter construction. Accordingly, Cheyenne Connector proposes to revise its initial recourse rates to reflect higher construction costs.

6. Cheyenne Connector now estimates construction costs of \$274,675,689, an increase of approximately 28.8% from the \$213,265,400 underlying the initial recourse

⁵ The Certificate Order also authorized Rockies Express Pipeline LLC to construct certain compression and ancillary facilities at its existing Cheyenne Compressor Station at the Cheyenne Hub in Weld County, Colorado in Docket No. CP18-103-000 (the Cheyenne Hub Enhancement Project).

⁶ Certificate Order, 168 FERC ¶ 61,180 at P 41. In its application, Cheyenne Connector states that the proposed revised recourse rates include a credit of \$2,095,830 applied to the total cost of service in order to allocate costs to interruptible service, in compliance with the Certificate Order. Application at 5-6.

⁷ Cheyenne Connector states that it had scheduled contractors to begin construction in March 2019 to meet a planned in-service date of October 1, 2019. The Certificate order was not issued until September 20, 2019. As a result, Cheyenne Connector opted to pay the contractors a standby charge of approximately \$19.6 million in total rather than releasing the contractors from their contract. Application at 4.

rates authorized in the Certificate Order.⁸ Cheyenne Connector filed revised Exhibits K, N, and P, which reflect the cost of service underlying the proposed revised recourse rates, as well as *pro forma* tariff records that set forth the proposed amended rates.⁹

7. In light of these adjustments, Cheyenne Connector proposes to revise its initial recourse rates for firm transportation service under Rate Schedule FTS, for interruptible transportation service under Rate Schedule ITS, for park and loan service under Rate Schedule PALS, and pooling and for wheeling service under Rate Schedule PAWS. The new proposed initial Rate Schedule FTS monthly recourse reservation charge is \$5.8217 per Dth, compared to the monthly recourse reservation charge of \$4.8386 per Dth authorized in the Certificate Order.¹⁰ The new proposed initial Rate Schedules ITS, PALS and PAWS charges are \$0.1914 per Dth, compared to a rate of \$0.1591 per Dth authorized in the Certificate Order.¹¹ Cheyenne Connector's revised recourse rates are designed using a total first-year cost of service of \$44,011,934, compared to the first-year cost of service of \$34,838,219 used to calculate the rates authorized in the Certificate Order.¹²

III. Notice, Interventions, and Responsive Pleadings

8. Notice of Cheyenne Connector's amendment application was issued by the Commission on February 26, 2020, and published in the *Federal Register* on March 4, 2020, with comments and interventions due by March 9, 2020.¹³ No comments, protests, or motions to intervene were filed.

⁸ Certificate Order, 168 FERC ¶ 61,180 at P 9.

⁹ The Certificate Order approved estimated total projected costs that included a contingency of \$23,642,800.

¹⁰ Certificate Order, 168 FERC ¶ 61,180 at P 39. Because Cheyenne Connector had no variable costs, Cheyenne Connector proposed a usage charge of \$0.0000 per Dth.

¹¹ *Id.*

¹² *Id.*

¹³ 85 Fed. Reg. 12,779 (March 4, 2020).

IV. Discussion

9. Because Cheyenne Connector's application to revise the initial recourse rates requires amending the authorization issued in the Certificate Order, the proposal is subject to the jurisdiction and requirements of NGA sections 7(c) and (e).¹⁴

10. The Certificate Order approved the Cheyenne Connector Project in accordance with the Commission's Certificate Policy Statement¹⁵ and determined that the project was required by the public convenience and necessity.¹⁶ Cheyenne Connector's proposal to revise its initial recourse rates does not alter this finding.

11. Cheyenne Connector filed amended Exhibits K, N, and P, which support its revised cost of service and provided a detailed description of the events that resulted in the increased construction costs.

12. We have reviewed all the information submitted in the amendment application, and conclude that Cheyenne Connector's proposed cost of service, cost allocation, and rate design used to develop the revised rates reasonably reflect current Commission policy. In addition, no party has protested the proposed level of the cost increase.

13. For these reasons, we approve Cheyenne Connector's revised initial recourse rates for firm and interruptible transportation service, for authorized overrun service, for park and loan, and for pooling and wheeling service under Rate Schedules FTS, ITS, PALS and PAWS for the Cheyenne Connector Project, as set forth in Cheyenne Connector's amendment application. Cheyenne Connector must file actual tariff records reflecting the revised initial recourse rates no less than 30 days prior to the commencement of service.

14. This order does not authorize any additional construction beyond that authorized by the Certificate Order. Accordingly, the Commission's action herein qualifies for a categorical exclusion from the need for environmental review.¹⁷

¹⁴ 15 U.S.C. § 717f(c), (e).

¹⁵ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227, *corrected*, 89 FERC ¶ 61,040 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

¹⁶ Certificate Order, 168 FERC ¶ 61,180 at P 30.

¹⁷ 18 C.F.R. § 380.4(a)(27) (2019).

15. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, and exhibits thereto, and all comments, and upon consideration of the record.

The Commission orders:

(A) Cheyenne Connector's request to amend the September 20, 2019 Certificate Order is granted, as described herein. In all other respects, the Certificate Order is unchanged.

(B) Cheyenne Connector's revised initial recourse rates for Rate Schedules FTS, ITS, PALS, and PAWS are approved, as discussed in the body of this order. Cheyenne Connector must file actual tariff records no less than 30 days prior to the commencement of service.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.