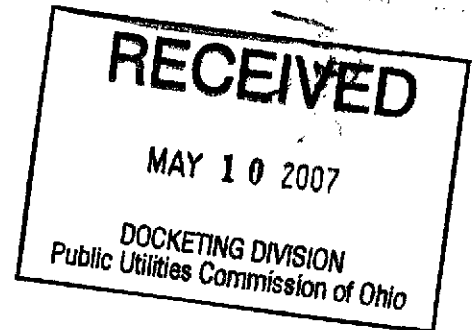




April 30, 2007

Federal Energy Regulatory Commission
Docket Branch, Room 1A
888 First Street, N.E.
Washington, D.C. 20426



Attention: Ms. Kimberly D. Bose, Secretary

Re: Rockies Express Pipeline LLC;
REX-East Project
Application for a Certificate of Public Convenience and Necessity

Ladies and Gentlemen:

Enclosed herewith for filing with the Federal Energy Regulatory Commission ("Commission") is Rockies Express Pipeline LLC's ("Rockies Express") application pursuant to Section 7(c) of the Natural Gas Act and Part 157 of the Commission's Regulations, for a certificate of public convenience and necessity authorizing the construction and operation of approximately 638 miles of new natural gas transmission facilities that will extend its existing certificated pipeline system and provide a direct link for supplies of natural gas in the Rocky Mountains to major markets in the upper Midwest and Eastern United States. The pipeline project, referred to as "REX-East Project," includes new pipeline construction commencing from the terminus of the Commission authorized REX-West Project located at a planned interconnection with Panhandle Eastern Pipe Line Company in Audrain County, Missouri to a terminus near the Town of Clarington in Monroe County, Ohio, with a capacity of 1,800,000 Dth/day.

Description of Items Being Filed

Rockies Express has organized the items being filed herein into the following volumes described below pursuant to the Commission's Critical Energy Infrastructure Information ("CEII") filing guidelines.

Public Information

Volume 1 is comprised of the following:

- This letter of transmittal
- Application text
- Federal Register Notice
- Exhibits required pursuant to Section 157.14 of the Commission's Regulations (excluding Exhibits F-I, G/G-I and G-II)

Volume 2 contains Exhibit F-I (Environmental Resource Reports), Reports 1 through 13.

Non-Internet Public Information

Volume 3 contains USGS topographic maps and aerial alignment sheets from the Environmental Resource Reports.

CEII

Volume 4 contains diagrams and drawings from the Environmental Resource Reports.

Volume 5 contains Exhibit G/G-I and Exhibit G-II.

Privileged Information

Volume 6 contains cultural resource information from the Environmental Resource Reports.

Filing Information

Rockies Express respectfully requests: (i) that the information submitted in Volume 3 not be placed on the internet; (ii) that Volumes 4 and 5 be treated as CEII; and (iii) that Volume 6 be accorded privileged and confidential treatment pursuant to 18 C.F.R. § 388.112. Accordingly, Rockies Express has marked Volumes 4 and 5 with "Contains CEII - Do Not Release," and Volume 6 has been marked "Contains Privileged Information - Do Not Release." The person to be contacted regarding this request for privileged treatment is:

Robert F. Harrington
Vice President, Regulatory
Rockies Express Pipeline LLC
370 Van Gordon Street
Lakewood, Colorado 80228-8304
Telephone: (303) 763-3258
Facsimile: (303) 984-3272

Consistent with Rockies Express' discussion with the Commission's Staff, Rockies Express is filing with the Commission herewith the original and 4 copies of Volumes 1 through 3; the original and two copies of Volumes 4 and 5; and the original only of Volume 6. Also, enclosed herewith is an electronic version of the application: eight compact discs of Volumes 1 through 3; three compact discs of Volumes 4 and 5; and one compact disc of Volume 6. As certified in the verification statement to this filing, the paper copies of the application contain the same information as the electronic version.

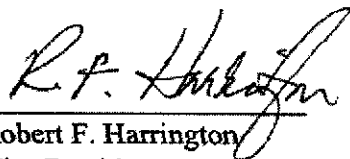
Two additional complete sets of the application are being hand delivered to the Commission's Environmental Staff and one complete set is being mailed each to:

Donald T. Hammer
Consulting Project Manager
9300 Lee Highway
Fairfax, VA 22031-1207

Trevor Loveday
ENTRIX, Inc.
5252 Westchester, Suite 250
Houston, TX 77005

Very truly yours,

Rockies Express Pipeline LLC

By 
Robert F. Harrington
Vice President
Regulatory

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Rockies Express Pipeline LLC)

Docket No. CP07-__-000

**Application of Rockies Express Pipeline LLC for a
Certificate of Public Convenience and Necessity**

Pursuant to Section 7(c) of the Natural Gas Act ("NGA"), 15 U.S.C. § 717f(c) (2000), and Part 157 of the Rules and Regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 157.1, et seq. (2006), Rockies Express Pipeline LLC ("Rockies Express"),¹ hereby requests a certificate of public convenience and necessity authorizing Rockies Express to construct and operate approximately 638 miles of new natural gas transmission and related facilities (referred to in this application as "REX-East" or "Project"). The proposed facilities will expand sections of the previously certificated facilities of Rockies Express and will extend those facilities to the east, from Audrain County, Missouri to Clarington, Ohio. The Project will provide additional new, market-driven pipeline infrastructure that further links supplies of natural gas in the Rocky Mountain supply basin to major markets in the upper Midwest and eastern United States, to the benefit of both consumers and producers of natural gas. The new pipeline facilities will have a capacity of 1,800,000 Dth/day.²

¹ Rockies Express Pipeline LLC is a limited liability company wholly-owned by West2East Pipeline LLC. West2East Pipeline LLC is a limited liability company owned 51% by a subsidiary of Kinder Morgan Energy Partners, L.P., 25% by a subsidiary of Sempra Energy and 24% by a subsidiary of ConocoPhillips Company ("ConocoPhillips").

² This filing is comprised of six volumes: Volumes 1 and 2 contain public information; Volume 3 contains non-internet public information; Volumes 4 and 5 contain Critical Energy Infrastructure Information ("CEII") and are not to be released to the general public; and Volume 6 contains privileged information. Concurrently herewith, Rockies Express is filing a letter requesting, pursuant to Section 388.112 of the Commission's Rules and Regulations, 18 C.F.R. § 388.112 (2006), confidential treatment of Volume 6.

This application relies upon the substantive approvals previously granted by the Commission for the Rockies Express pipeline system. On September 21, 2006, the Commission issued a *Preliminary Determination for the REX-West Project*.³ The Commission recognized that REX-West was the first of two projects (i.e., REX-West and REX-East) to complete a transportation system from the Rocky Mountain supply basins to markets in the east. In the Preliminary Determination, the Commission approved the critical economic issues related to the open season, the precedent agreements and the interaction of the two projects. After extensive environmental review (including the issuance of a Final Environmental Impact Statement on the REX-West Project on March 16, 2007), the Commission issued a certificate of public convenience and necessity for the REX-West Project on April 19, 2007.

By this application, Rockies Express, consistent with the previous approvals of the Commission, requests authority to construct and operate a further eastern extension and expansion of its system. The shippers on REX-East, with minor exceptions, also hold firm transportation capacity on REX-West, although these overlapping shippers remain subject to independent contractual commitments to each project. The basic economic structure of the REX-East Project is the same as the economic structure that was approved by the Commission in its preliminary determination and final certificate, including the core contractual and tariff provisions. Specifically, the transportation contracts that underpin both projects and the establishment of three tiers of shippers in the Rockies Express tariff -- all of which were approved by the Commission in the Preliminary Determination and in its certificate order for REX-West -- provide the basis for REX-East to be a

³ Rockies Express Pipeline LLC, 116 FERC ¶ 61,272 (2006) ("REX-West PD").

commercially viable project and to provide benefits to gas consumers across the country.

Rockies Express proposes to create a new, separate rate zone ("Zone 3") for transportation services through the REX-East facilities. The new rate zone will include the capital costs and associated cost of service for facilities constructed from the terminus of REX-West in Audrain County, Missouri to the proposed terminus of REX-East at Clarington, Ohio. The REX-East expansion project also includes the construction of new compression in Zones 1 and 2 of the Rockies Express pipeline system in order to power up the pipeline system east of Wamsutter, Wyoming to be able to transport up to 1,800,000 Dth/day of natural gas. As part of this application, Rockies Express requests a determination of rolled-in rate treatment for the costs of the new compressor facilities that will be constructed in Zones 1 and 2 in any future rate proceedings. No change to the recourse rates for these rate zones (Zones 1 and 2) is proposed at this time.

Rockies Express, in conjunction with its producers/shippers, seeks to place the full length of the project to Clarington, Ohio in service no later than December 30, 2008. That in-service date corresponds to the time frame when new Rocky Mountain gas supplies are anticipated to be produced and ready to connect to Rockies Express. On December 30, 2008, Rockies Express anticipates that the initial transportation capacity of REX-East will be 1,600,000 Dth/day. This in-service date will also permit initial deliveries of gas to meet consumer demand for the 2008/2009 winter heating season.

Rockies Express will coordinate its construction in an effort to commence initial service on REX-East in phases with the initial phase commencing service to

delivery points located near Lebanon, in Warren County, Ohio ("Lebanon Hub"). The subsequent phase would include the facilities west of the Lebanon Hub eastward to delivery points located near Clarington, in Monroe County, Ohio ("Clarington Hub"). Rockies Express will request authorization to commence service in phases and, when ready for service, to delivery points in an easterly direction to the Lebanon area and concluding in the Clarington area.

After initial in-service for REX-East, Rockies Express will continue construction of the compression facilities to be certificated in this proceeding to bring the pipeline up to the full design capacity of 1,800,000 Dth/day by June 30, 2009.

The participants in the Project have developed their drilling plans, structured their commercial agreements and made significant investments, including the purchase of pipe and compressors, based on the expectation of a December 30, 2008, in-service date with follow-on phased construction of the compression facilities needed to get to full design. To meet that in-service date, with adequate lead time for construction and testing, a certificate is required by February 1, 2008.

Rockies Express is aware that this is an ambitious schedule and that the Commission cannot act without a complete record. Rockies Express has endeavored throughout the prefiling process to provide necessary data, as available, on a timely basis and to maintain consistent quality. Rockies Express notes its appreciation for the attention and diligence of the Commission, its Staff and contractors during the prefiling process. Rockies Express has also worked diligently throughout the months of public participation to understand public comments and concerns and to be engaged in early resolution wherever possible. Rockies Express affirms its commitment to devote the resources required to permit the Commission to build its

evidentiary record in a timely and complete manner. Rockies Express also affirms its commitment to remain engaged with, and respond to, public comment and suggestions from federal, state and local governmental officials as well as individual citizens and, most certainly, landowners to be affected by the pipeline construction, route and operation.

I.
SCOPE OF APPLICATION AND REQUESTED AUTHORIZATION

By this application, therefore, Rockies Express requests two central authorizations:

1. Authority to construct and operate 638 miles of natural gas pipeline facilities, including five compressor stations and points of interconnection, eastward from the terminus of the certificated REX-West facilities in Audrain County, Missouri to an end point at Clarington, Ohio and to establish a new, separate rate zone (Zone 3) on the Rockies Express pipeline system for service through these facilities; and
2. Authority to construct and operate two compressor stations, one in Zone 1 and one in Zone 2, to power up the certificated Rockies Express pipeline system to transport 1,800,000 Dth/day, and a declaration approving the roll-in of the costs of these facilities to the rates for service within these two respective rate zones in any future rate proceeding.

The timeline for completion of the entire Rockies Express pipeline system is as follows:

**Rockies Express Pipeline System Capacity Completion Timeline
Table 1**

<u>Project</u>	<u>Capacity (MDth/d)</u>	<u>Completion Date</u>
REX/Entrega Project (CP04-413-000):		
Phase 1		
Segment 1 (Meeker to Wamsutter)	750	Completed In Service
Segment 2 (Wamsutter to Cheyenne)	750	Completed In Service
Phase 2		
Meeker Compression (Segment 1)	1,100	12/31/07
Big Hole Compression (Segment 1)	1,500	06/30/09*
Wamsutter Compression (Segment 2)	1,500	12/31/07
REX-West Project (CP06-354-000):		
Cheyenne to Audrain County, MO	1,500	12/31/07
Meeker Hub Facilities	475	12/31/07
Cheyenne Hub Facilities	28	12/31/07
REX-East Project (CP07-____-000):		
Initial Transport (Audrain County East)	1,600	12/30/08
Full Power Up:		
Audrain to Clarington	1,800	06/30/09
Zone 1 (Arlington CS)	1,800	06/30/09
Zone 2 (Bertrand CS)	1,800	06/30/09

*See order approving certificate amendment for the Entrega Project: Rockies Express Pipeline LLC, 116 FERC ¶ 62,151 (2006).

The shipper commitments for these projects following the proposed in-service dates of REX-West are set forth in the table below.

Rockies Express Pipeline System Contract Commitments*

(Dth/day)

Table 2

Shipper	Term (years)	Zone 1 (Wamsutter to Cheyenne) and Zone 2 (Cheyenne to Audrain)			(Zone 3)	
		Allocated Volumes** (1/1/08 thru 12/29/08)	Contract Volumes (12/30/08 thru 6/29/09)	Contract Volumes as of 6/30/09	Contract Volumes (12/30/08 thru 6/29/09)	Contract Volumes as of 6/30/09
Foundation Shipper:						
EnCana Marketing (USA) Inc.	10	436,000	500,000	500,000	500,000	500,000
Anchor Shippers:						
ConocoPhillips Company	10	400,000	400,000	400,000	400,000	400,000
Sempra Rockies Marketing, LLC	10	174,000	200,000	200,000	200,000	200,000
Ultra Resources, Inc.	10	200,000	200,000	200,000	200,000	200,000
BP Energy Company	10	100,000	100,000	300,000	100,000	300,000
Standard Shippers:						
Yates Petroleum Corporation	10	13,000	15,000	15,000	15,000	15,000
Coral Energy Resources L.P./ Yates Petroleum Corporation***	10	24,000	28,000	28,000	28,000	28,000
U.S. Minerals Management Service	10	50,000	50,000	50,000	50,000	50,000
Bill Barrett Company	10	25,000	25,000	25,000	25,000	25,000
EOG Resources, Inc.	10	50,000	50,000	50,000	50,000	50,000
Berry Petroleum Company	10	10,000	10,000	10,000	10,000	10,000
Arrowhead Resources (U.S.A.) Ltd.	10	10,000	10,000	10,000	10,000	10,000
SUBTOTAL		1,492,000	1,588,000	1,788,000	1,588,000	1,788,000
Unsubscribed		8,000	12,000	12,000	12,000	12,000
TOTAL		1,500,000	1,600,000	1,800,000	1,600,000	1,800,000

* The Contracted Volumes reflect commitments made during the Open Season and under precedent agreements entered into after the end of the open season.

** Four shippers agreed to voluntarily reduce the maximum daily quantity under their respective contracts for the period of service associated with REX-West. These reductions (from a total of 1,600,000 Dth/day to 1,500,000 Dth/day) phase out as the capacity on the Rockies Express pipeline system increases to its full capacity of 1,800,000 Dth/day.

*** Coral Energy Resources L.P. has contracted for 28,000 Dth/day in Zone 1 (REX/Entrega) from the Opal Hub to the Cheyenne Hub. Yates Petroleum Corporation has contracted for 28,000 Dth/day in Zone 2 and Zone 3 from the Cheyenne Hub east across REX-West and REX-East. Taken together, this contracted capacity forms a long-haul path across the Rockies Express pipeline system.

II. OVERVIEW

With the increase in reliable long-lived production of natural gas in the Rocky Mountains, Rockies Express, together with producers, have sought to build the infrastructure necessary to safely and economically transport this clean-burning energy source to the areas of the country that demand it the most. The attainment of

this goal is manifested in three separate pipeline projects, each supported by long-term transportation contracts that independently support each project.

The first of the three pipeline projects provides the base infrastructure to transport gas out of supply basins located in Colorado and Wyoming to the Cheyenne Hub. That project, known as the "REX/Entrega Project" or "REX/Entrega," was filed in Docket Nos. CP04-413-000 et al., by Entrega Gas Pipeline Inc.⁴ and received an NGA Section 7(c) certificate from the Commission on August 9, 2005.⁵ REX/Entrega is being constructed in two phases and Phase I is in service. The REX/Entrega Project Phase I facilities extend northward from the Meeker Hub, located at the northern end of TransColorado Gas Transmission Company's ("TransColorado") system in Colorado, to the Wamsutter Hub located in Wamsutter, Wyoming (Segment 1), and then eastward to the Cheyenne Hub located in Weld County, Colorado (Segment 2). Phase 1, Segment 1 was completed and went into service on February 24, 2006. Following a merger,⁶ Rockies Express completed construction of Phase I, Segment 2 and it went into service on February 14, 2007 with an initial capacity of 750,000 Dth per day. For REX/Entrega Phase II, Rockies Express is authorized to construct three compressor stations referred to as the Meeker, Big Hole and Wamsutter Compressor Stations to expand the capacity to 1,500,000

⁴ On November 7, 2005, Entrega Gas Pipeline Inc., a Delaware corporation (the name under which the original application was filed), filed a certificate of conversion with the Office of the Secretary of State of the State of Delaware to convert "Entrega Gas Pipeline Inc." to a Delaware limited liability company, "Entrega Gas Pipeline LLC." On November 8, 2005, Entrega Gas Pipeline LLC filed a notification of the change with the Commission.

⁵ Entrega Gas Pipeline Inc., 112 FERC ¶ 61,177, order on reh'g, 113 FERC ¶ 61,327 (2005).

⁶ On February 23, 2006, Rockies Express acquired 100% of the membership interests in Entrega from Alenco Pipelines Inc., resulting in Entrega becoming a wholly-owned subsidiary of Rockies Express Pipeline LLC. Rockies Express Pipeline LLC was merged into Entrega, effective April 11, 2006. Pursuant to the merger agreement, Entrega Gas Pipeline LLC continued to exist after the merger under the name "Rockies Express Pipeline LLC." Thereafter, on April 14, 2006, as amended on April 20, 2006, Rockies Express filed, and the Commission accepted, its entire First Revised Volume No. 1, superseding Original Volume No. 1, of the FERC Gas Tariff that reflects on each sheet the change in name and issuing officer for the pipeline formerly known as Entrega that now is known as Rockies Express Pipeline LLC.

Dth per day.⁷ REX/Entrega is independently supported by long-term natural gas transportation contracts to deliver gas to the Cheyenne Hub. The 327-mile REX/Entrega system represents Zone 1 of the Rockies Express pipeline system.

Building upon the base infrastructure provided by the REX/Entrega Project, Rockies Express filed for NGA Section 7 authority to construct the "REX-West Project," a 713-mile, 42-inch pipeline and related facilities that will commence from the end point of the REX/Entrega Project eastward, to an interconnect with Panhandle Eastern Pipe Line Company ("PEPL") in Audrain County, Missouri. The REX-West Project will have the capacity to transport 1,500,000 Dth/day to PEPL. The REX-West Project will interconnect with four interstate pipelines (Kinder Morgan Interstate Gas Transmission LLC, Natural Gas Pipeline Company of America, Northern Natural Gas Company, and ANR Pipeline Company) before reaching its terminus in Audrain County where the pipeline will interconnect with PEPL. REX-West has received an NGA Section 7(c) certificate from the Commission and is scheduled to be completed and in-service by January 1, 2008.⁸ As set forth in the REX-West application, shippers on REX-West will utilize the transportation capacity of the facilities of TransColorado (for which TransColorado received an NGA Section 7(c) certificate in Docket No. CP06-401-000), the REX/Entrega pipeline and the capacity of Questar Overthrust Pipeline Company's ("Overthrust") facilities (for which Overthrust received an NGA Section 7(c) certificate by the Commission in

⁷ The Meeker and Wamsutter Compressor Stations are currently planned to be completed by the fourth quarter of 2007. As to the Big Hole Compressor Station, Rockies Express plans to commence construction of this station during the 4th quarter of 2008 in order to meet an in-service date of June 2009.

⁸ Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007).

Docket No. CP06-423-000)⁹ to source gas to be delivered to the multiple interconnects along the pipeline route and to PEPL in Audrain County. The REX-West Project facilities constructed from the terminus at the Cheyenne Hub to Audrain County constitute Zone 2 of the Rockies Express pipeline system.

The recently certificated REX-West Project will provide the pipeline infrastructure to transport increased quantities of Rocky Mountain gas supplies either directly or indirectly from the major Rocky Mountain production basins, including the Greater Green River, Powder River, Uinta-Piceance, Jonah-Pinedale, Denver-Julesburg, Wind River, Big Horn and San Juan Basins located in the States of Wyoming, Colorado and Utah eastward to connections with major gas consuming markets in the United States. In the instant application, Rockies Express proposes to extend and expand its pipeline facilities even further to the east, thereby attaching new markets and bringing greater supply sources and competition to benefit gas consumers in the Midwest and east. Specifically, REX-East will expand the capacity of Zone 1 of the Rockies Express pipeline system from Wamsutter to the Cheyenne Hub and REX-West to 1,800,000 Dth/day and extend the combined Rockies Express pipeline facilities (*i.e.*, REX/Entrega and REX-West, together, "the Rockies Express Certificated Facilities") 638 miles further to the east to Clarington, Ohio. REX-East, like REX-West, is independently supported by long-term gas transportation agreements for firm transportation service, but shares fundamentally the same

⁹ Overthrust has entered into a Natural Gas Transportation Capacity Lease Agreement with Rockies Express, dated February 15, 2006 (the "Capacity Lease"). The Capacity Lease provides that Rockies Express will acquire from Overthrust, through a long-term capacity lease, firm transportation capacity of 625,000 Dth/day with the right under certain conditions to increase the leased firm transportation capacity up to 1,500,000 Dth/day from the Opal Hub to the Wamsutter Hub. The Capacity Lease will extend the Rockies Express Certificated Facilities approximately 140 miles to the west, from the Wamsutter Hub to the Opal Hub. On April 19, 2007, Overthrust received an NGA Section 7(c) certificated to expand its facilities. Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007). The approval of the lease was granted by the Commission in its Preliminary Determination of this application. See REX-West PD.

producer/shipper base. Facilities constructed from Audrain County, Missouri to Clarington, Ohio will comprise Zone 3 of the proposed Rockies Express pipeline system.

The Preliminary Determination and certificate order for REX-West provide the core contractual, rate and tariff structures relied upon by the participants in the REX-East Project to make the next massive capital investment necessary to expand and extend the Rockies Express pipeline system. Specifically, in the Preliminary Determination issued for the REX-West Project, the Commission approved the open season that was held for the two projects comprising the transportation capacity for delivery of natural gas supplies to Zones 2 and 3 of the Rockies Express pipeline system.¹⁰ In that open season, shippers were provided incentives to make large, long-term firm transportation commitments through the establishment of three classes of shippers: "Foundation Shippers," "Anchor Shippers," and "Standard Shippers."¹¹ As a result of the open season, nearly the entire 1,800,000 Dth/day of REX-East capacity is subscribed.

REX-East, therefore, builds upon, and extends, the shipper agreements and commitments made for the REX-West Project. Specifically, in the open season held for REX-West, shippers had the ability and incentive to commit to capacity on REX-East as well as on REX-West. Essentially, all of the shippers on the REX-West Project are shippers on REX-East.¹² Like REX-West, REX-East is primarily a producer-driven pipeline project in which producers – combining existing production with new production in the Rocky Mountain region – have made long-term

¹⁰ REX-West PD at P 71.

¹¹ In the open season materials, these Standard Shippers were referred to as "non-anchor" shippers. Pursuant to the terms of the open season, if the REX-East Project does not proceed, the shippers' commitments to REX-West remain.

¹² As noted in Table 2 of this application, Coral Energy Resources L.P. only has capacity in Zone 1.

contractual commitments to REX-East for transportation capacity necessary to move the prolific Rocky Mountain natural gas supplies to Midwestern and eastern markets. Sponsors of Rockies Express, in turn, have placed substantial amounts of capital at risk in response to the commitments made by the shipper community. As a result of these contractual and capital commitments, as well as the commercial delivery dates, Rockies Express and the producers in the region have been able to create a competitive, market-supported project that definitively addresses the problem that “[p]ipeline capacity from the Rockies has not kept pace with productive capacity.”¹³

The joint effort also benefits consumers. The infusion of new Rocky Mountain gas volumes into the supply pool available to high demand centers in the Midwest and east will make long lived, reliable Rocky Mountain production directly available to consumers, provide increased diversity of supply, create a moderating effect on prices and at the same time, facilitate increased utilization of this clean-burning fuel.

The proposed route of REX-East is intended to minimize effects on the environment. The majority of the pipeline will be located along existing utility corridor rights-of-way. Consistent with the Commission’s prefilings process, Rockies Express has engaged landowners early in the route selection process and has made changes where possible to accommodate landowner concerns. In addition, throughout the future months during Commission consideration of this application and its preparation of the final environmental impact statement Rockies Express will

¹³ Office of Market Oversight and Investigation, 2003 Natural Gas Market Assessment 22 (Winter 2002-03). See also James Tobin, Energy Info. Admin., U.S. Dept. of Energy, Expansion and Change on the U.S. Natural Gas Pipeline Network – 2002 8 (May 2003) (discussion of lack of adequate takeaway capacity in the Rocky Mountain Area).

continue to work with affected landowners as well as federal, state and local authorities.

Rockies Express is committed to providing the Commission timely and complete data so that the Commission is able to complete its consideration and approval of this application by February 1, 2008. Approval of this Project will provide the third, significant section of pipeline infrastructure that is consistent with the needs identified by the Commission in its 2006 State of the Markets Report and will permit new supplies of gas in the Rocky Mountains to serve this country's energy needs in an efficient and environmentally responsible manner.

REX-East is a project that complies with the Commission's Construction Policy Statement,¹⁴ is required by the present and future public convenience and necessity, and should be approved. Strong public policy reasons, therefore, support expedited approval of this Project. The United States must undertake all reasonable efforts to enhance its supplies of domestic, onshore energy resources. Rockies Express respectfully urges the Commission to address this application promptly and grant its approval.

III. COMMUNICATIONS

The name, title, mailing address, telephone, facsimile numbers and email addresses of those persons to whom correspondence and communications concerning this application should be directed are as follows:

¹⁴ Certification of New Interstate Natural Gas Pipeline Facilities, Statement of Policy, 88 FERC ¶ 61,227, modified by, 89 FERC ¶ 61,040 (1999); order clarifying statement of policy, 90 FERC ¶ 61,128; order further clarifying statement of policy, 92 FERC ¶ 61,094 (2000) ("Construction Policy Statement").

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RFC@vnf.com
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SXH@vnf.com

IV. IDENTITY OF APPLICANT

The exact legal name of Applicant is Rockies Express Pipeline LLC. The principal place of business of Rockies Express is at 370 Van Gordon Street, Lakewood, Colorado 80228. Rockies Express is a Delaware limited liability company that is wholly owned by West2East Pipeline LLC ("West2East").

West2East is owned 51% by a subsidiary of Kinder Morgan Energy Partners, L.P. (which will become 50% when construction of the entire project is completed), 25% by a subsidiary of Semptra Energy and 24% by a subsidiary of ConocoPhillips (which will become 25% after the Project is completed). Rockies Express is managed by a Board of Managers that includes Managers of West2East and Alenco Pipelines, Inc. Kinder Morgan NatGas Operator LLC is the operator of the Rockies Express Pipeline.

Rockies Express is a "natural-gas company" as defined by Section 2(6) of the NGA and is subject to the jurisdiction of the Commission. The existing Rockies Express Facilities include the facilities formerly known as Entrega Gas Pipeline LLC ("REX/Entrega") that currently provide natural gas transportation services within the States of Colorado and Wyoming. The Rockies Express Facilities also include the REX-West Project which, upon completion, will extend the pipeline from the Cheyenne Hub to an interconnect with PEPL in Audrain County, Missouri.

Rockies Express currently transports gas from Meeker to Cheyenne through its jurisdictional interstate pipeline on an open-access, non-discriminatory basis pursuant to jurisdictional transportation rate schedules and general terms and conditions authorized in First Revised Volume No. 1 of its FERC Gas Tariff.

V. DESCRIPTION OF FACILITIES

REX-East, for which Rockies Express is seeking authorization herein, will consist of approximately 638 miles of 42-inch diameter mainline pipeline, with appurtenances, commencing at the terminus of the REX-West Project in Audrain County, Missouri and extending eastward to a terminus near Clarington in Monroe

County, Ohio. A majority of the pipeline (over 50%) will parallel existing utility corridor right-of-way. The pipeline will traverse the following states and counties:

- Missouri: Audrain, Ralls and Pike
- Illinois: Pike, Scott, Morgan, Sangamon, Christian, Macon, Moultrie, Douglas and Edgar
- Indiana: Vermillion, Parke, Putnam, Hendricks, Morgan, Johnson, Shelby, Decatur and Franklin
- Ohio: Butler, Warren, Clinton, Greene, Fayette, Pickaway, Fairfield, Perry, Morgan, Muskingum, Guernsey, Noble, Belmont and Monroe

The majority of the route, approximately 516 miles or 83%, traverses Class 1 (rural and agricultural) areas.

As a result of the facilities proposed to be authorized in this REX-East application, capacity on the Rockies Express Certificated Facilities will ramp up from 1,500,000 Dth/day to 1,800,000 Dth/day from the Wamsutter Hub eastward to, and through, the REX-East facilities to Clarington, Ohio. At the 1,800,000 Dth/day design, mainline pipeline compression totaling approximately 236,000 horsepower will be required. This horsepower will be located at seven new mainline compressor stations; five located in Zone 3 and one compressor station added in each of Zone 1 and Zone 2 of the Rockies Express Certificated Facilities. Specifically, the REX-East expansion and extension would require construction of the following compressor stations:

Compressor Stations to be located on the Rockies Express Certificated Facilities

Arlington Compressor Station in Carbon County, Wyoming (Zone 1)
Bertrand Compressor Station in Phelps County, Nebraska (Zone 2)

Compressor Stations to be located on REX-East (Zone 3)

Mexico Compressor Station in Audrain County, Missouri
Blue Mound Compressor Station in Christian County, Illinois
Bainbridge Compressor Station in Putnam County, Indiana
Hamilton Compressor Station in Butler County, Ohio
Chandlersville Compressor Station in Muskingum County, Ohio

REX-East will have a maximum allowable operating pressure ("MAOP") of 1480 psig, the same MAOP as authorized for the Rockies Express Certificated Facilities. Exhibits G and G-II provide more detailed diagrams of the Rockies Express Certificated Facilities and the REX-East operational characteristics. Rockies Express proposes to install 20 delivery meter stations and associated interconnecting pipeline facilities along the REX-East route. In addition, Rockies Express will install various appurtenant facilities including motor control centers, pig launchers and receivers, approximately 42 mainline valves, regulators, fuel meters, 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 corridor, compressor station sites, and meter station rights-of-way; and, as such, all have been, or will be, covered by the environmental surveys.

Rockies Express requests NGA Section 7(c) authorization to construct and operate the following specific facilities:

Mainline Pipeline Extension:

Approximately 638 miles of 42" O.D. X-80 and X-70 steel pipe ranging from .486 w.t. to .888 w.t., commencing from the point of interconnection with PEPL in Section 2, Township 51 North, Range 8 West, Audrain County, Missouri, extending eastward through Illinois, Indiana and Ohio, terminating in Section 29, Township 3 North, Range 3 West, Monroe County, Ohio.

Mainline Pipeline Compression and Expansion:

1. Arlington Compressor Station – Install at the proposed Arlington Compressor Station site, three 8,180 ISO-rated horsepower compressor units (site rated at 6,598 horsepower each), with related appurtenances, located in Section 19, Township 19 North, Range 78 West, Carbon County, Wyoming.
2. Bertrand Compressor Station – Install at the proposed Bertrand Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,699 horsepower each) and three 8,180 ISO-rated horsepower compressor

units (site rated at 7,604 horsepower each), with related appurtenances, located in Section 23, Township 6 North, Range 20 West, Phelps County, Nebraska.

3. Mexico Compressor Station – Install at the proposed Mexico Compressor Station site, two 20,500 ISO-rated horsepower compressor units (site rated at 15,928 horsepower each), with related appurtenances, located in Section 2, Township 51 North, Range 8 West, Audrain County, Missouri.
4. Blue Mound Compressor Station – Install at the proposed Blue Mound Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,860 horsepower each) and three 8,180 ISO-rated horsepower compressor units (site rated at 7,818 horsepower each), with related appurtenances, located in Section 31, Township 15 North, Range 2 West, Christian County, Illinois.
5. Bainbridge Compressor Station – Install at the proposed Bainbridge Compressor Station site, two 20,500 ISO-rated compressor units (site rated at 15,827 horsepower each), with related appurtenances, located in Section 1, Township 15 North, Range 3 West, Putnam County, Indiana.
6. Hamilton Compressor Station – Install at the proposed Hamilton Compressor Station site, two 17,500 horsepower nameplate electric motor driven compressor units, with related appurtenances, located in Section 19, Township 4 North, Range 2 West, Butler County, Ohio.
7. Chandlersville Compressor Station – Install at the proposed Chandlersville Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,860 horsepower each) and one 8,180 ISO-rated horsepower compressor unit (site rated at 7,818 horsepower), with related appurtenances, located in Section 5, Township 12 North, Range 12 West, Muskingum County, Ohio.

Delivery Meter Stations:

1. NGPL Interconnect Meter Station – Install with Natural Gas Pipeline Company of America an interconnect and measurement facility, with appurtenances, at approximately Milepost 178.6 located on the Project in Section 3, Township 15 North, Range 5 East, Moultrie County, Illinois.
2. Illinois Power Interconnect Meter Station – Install with Illinois Power Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 178.6 located on the Project in Section 3, Township 15 North, Range 5 East, Moultrie County, Illinois.
3. Trunkline Interconnect Meter Station – Install with Trunkline Gas Company an interconnect and measurement facility, with appurtenances, at

approximately Milepost 195.1 located on the Project in Section 5, Township 15 North, Range 8 East, Douglas County, Illinois.

4. MGTC Interconnect Meter Station – Install with Midwestern Gas Transmission Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 231.5 located on the Project in Section 35, Township 15 North, Range 11 West, Edgar County, Illinois.
5. PEPL-2 Interconnect Meter Station – Install with PEPL an interconnect and measurement facility, with appurtenances, at approximately Milepost 274.4 located on the Project in Section 31, Township 16 North, Range 4 West, Putnam County, Indiana.
6. Citizens Interconnect Meter Station – Install with Citizens Gas and Coke Utility an interconnect and measurement facility, with appurtenances, at approximately Milepost 305.5 located on the Project in Section 34, Township 14 North, Range 1 East, Morgan County, Indiana.
7. Indiana Interconnect Meter Station – Install with Indiana Gas Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 316 located on the Project in Sections 26 and 27, Township 13 North, Range 2 West, Johnson County, Indiana.
8. ANR-2 Interconnect Meter Station – Install with ANR Pipeline Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 341.6 located on the Project in Section 7, Township 11 North, Range 9 East, Shelby County, Indiana.
9. Cincinnati Gas Interconnect Meter Station – Install with Cincinnati Gas and Electric an interconnect and measurement facility, with appurtenances, at approximately Milepost 433.8 in the proposed Hamilton Compressor Station site in Section 19, Township 4 North, Range 2 West, Butler County, Ohio.
10. CGT-1 Interconnect Meter Station – Install with Columbia Gas Transmission Corporation an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
11. Dominion-1 Interconnect Meter Station – Install with Dominion Transmission, Inc. an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
12. TETCO-1 Interconnect Meter Station – Install with Texas Eastern Transmission, LP an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.

13. Texas Gas Interconnect Meter Station – Install with Texas Gas Transmission, LLC an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
14. Vectren Interconnect Meter Station – Install with Vectren an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
15. Columbia Gas of Ohio Interconnect Meter Station – Install with Columbia Gas of Ohio an interconnect and measurement facility, with appurtenances, at approximately Milepost 513.4 located on the Project in Section 22, Township 2 North, Range 22 West, Pickaway County, Ohio.
16. CGT-2 Interconnect Meter Station – Install with Columbia Gas Transmission Corporation an interconnect and measurement facility, with appurtenances, at approximately Milepost 538.2 located on the Project in Section 3, Township 15 North, Range 18 West, Fairfield County, Ohio.
17. Tennessee Interconnect Meter Station – Install with Tennessee Gas Pipeline Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 590.9 located on the Project in Section 6, Township 9 North, Range 10 West, Muskingum County, Ohio.
18. Dominion-2 Interconnect Meter Station – Install with Dominion Transmission, Inc. an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.
19. Dominion East Interconnect Meter Station – Install with Dominion East Ohio an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.
20. TETCO-2 Interconnect Meter Station – Install with Texas Eastern Transmission, LP an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.

In addition to the facilities described above for which certificate authorization is requested, Rockies Express will construct and operate, under the authority of Section 2.55(a) of the Commission's Regulations, the following ancillary facilities:

1. Motor control center buildings with a small office for personnel at each of the above named compressor stations;

2. Pig launching and receiving equipment;
3. Mainline block valves at 20-mile intervals along the proposed REX-East;
4. Fuel meters; and
5. Auxiliary equipment at each of the meter stations that will include certain electronic flow measurement equipment, chromatographs, valves, buildings, and piping.

The total estimated cost for construction of the Project is \$2,172,953,630, including overhead and contingency. The details of the cost estimates for all of these facilities are submitted as a part of Exhibit K.

VI. MARKET

The open season held by Rockies Express from November 9, 2005 through December 19, 2005,¹⁵ allowed shippers to submit bids for capacity on REX-West and REX-East.¹⁶ As noted in the REX-West application, shippers originally signed precedent agreements for a total of 1,600,000 Dth/day on REX-West. That amount was pro-rated among shippers electing to have their quantity pro-rated to achieve the capacity of REX-West (1,500,000 Dth/day).¹⁷ Rockies Express also was able to obtain capacity commitments from shippers interested in transporting gas on REX-

¹⁵ During this open season period, Rockies Express issued nine informational postings which provided details of the open season parameters. Also, from August 17, 2005, through February 28, 2006, nine press releases were issued to the media and the public to ensure that all potential shippers had access to information about the Project and the course of its development.

¹⁶ Shippers that executed precedent agreements for transportation service over both REX-West and REX-East agreed to enter into an Firm Transportation Service Agreement ("FTSA") for each. Upon the in-service date of REX-East, the FTSA for REX-West will be superseded in its entirety by the FTSA for REX-East. Each shipper that executed a precedent agreement for transportation service over both REX-West and REX-East also has acknowledged that approval by the Commission of the certificate for REX-West does not constitute approval of a certificate for REX-East and that awards of capacity under each FTSA may result in service for the agreed-upon term only on the REX-West facilities. FSAs reflecting the terms of the respective precedent agreements will be executed prior to the in-service date of REX-West, consistent with the conditions of the certificate order.

¹⁷ See Table 2 herein and explanation provided on page 32 of the REX-West application submitted on May 31, 2006 in Docket No. CP06-354-000.

East for nearly the entire amount of 1,800,000 Dth/day once REX-East is completed.¹⁸

The Commission, in its Preliminary Determination issued for REX-West, approved the conduct of the open season and its results.¹⁹ Among other things, potential shippers in the open season had the incentive to submit long term contracts for capacity through the establishment of three classes of shippers: "Foundation Shippers," "Anchor Shippers," and "Standard Shippers." The shippers now committed to REX-East are either shippers that bid in the original open season or shippers that have replaced those original, winning bidders, all as explained more fully below.

The table below reflects the names of those shippers that have secured firm transportation commitments on REX-East, their specific class, contracted amount and length of contract. The executed precedent agreements that apply to both REX-West and REX-East are the same as the agreements that were filed in Exhibit I in the REX-West application and are incorporated herein by reference.²⁰ With one exception, all of the shippers have signed up to utilize firm long-haul transportation through Zones 1, 2 and 3.²¹

¹⁸ As set forth below, 12,000 Dth/day remains as unsubscribed capacity, an amount for which Rockies Express remains at risk.

¹⁹ REX-West PD at PP 69-73.

²⁰ See Exhibit I of the application of Rockies Express Pipeline LLC, Docket No. CP06-354 (filed May 31, 2006). By separate filing, Rockies Express today has filed in Docket No. CP06-354-000 to supplement Exhibit I of the REX-West application. The additional material is incorporated herein by reference.

²¹ As shown on Tables 2 and 3 of this application, the combination of Coral Energy Resources L.P. volumes in Zone 1 and certain of the Yates Petroleum Corporation volumes in Zones 2 and 3 comprise a long-haul transportation path.

**REX-East Shipper Commitments
(Dth/day)
Table 3**

Name of Shipper	Length of Contract (years)	REX-East*		
		Contracted Amount **	Pipeline Capacity (12/30/08 thru 6/29/09)	Pipeline Capacity as of 6/30/09
Foundation Shipper:				
EnCana Marketing (USA) Inc.	10	500,000	500,000	500,000
Anchor Shippers:				
ConocoPhillips Company	10	400,000	400,000	400,000
Sempra Rockies Marketing, LLC	10	200,000	200,000	200,000
Ultra Resources, Inc.	10	200,000	200,000	200,000
BP Energy Company	10	300,000	100,000	300,000
Standard Shippers:				
Yates Petroleum Corporation	10	15,000	15,000	15,000
Coral Energy Resources L.P./ Yates Petroleum Corporation***	10	28,000	28,000	28,000
U.S. Minerals Management Service	10	50,000	50,000	50,000
Bill Barrett Company	10	25,000	25,000	25,000
EOG Resources, Inc.	10	50,000	50,000	50,000
Berry Petroleum Company	10	10,000	10,000	10,000
Arrowhead Resources (U.S.A.) Ltd.	10	10,000	10,000	10,000
SUBTOTAL		1,788,000	1,588,000	1,788,000
Unsubscribed		12,000	12,000	12,000
TOTAL		1,800,000	1,600,000	1,800,000

* Increases the capacity from the Wamsutter Hub to Audrain County, Missouri from 1,600,000 Dth/day to 1,800,000 Dth/day. Upon completion of all facilities proposed herein, the capacity in Zones 1, 2, and 3 (from Wamsutter Hub to Clarington) of the Rockies Express pipeline system will be 1,800,000 Dth/day.

** The Contracted Amounts reflect commitments made during the Open Season and under precedent agreements entered into after the end of the open season.

*** As noted in Table 2, Coral Energy Resources L.P. has contracted for 28,000 Dth/day on REX/Entrega from the Opal Hub to the Cheyenne Hub (Zone 1). Yates Petroleum Corporation has contracted for 28,000 Dth/day in Zone 2 and Zone 3 from the Cheyenne Hub east across REX-West and REX-East. Taken together, this contracted capacity forms a long-haul path across the entire Rockies Express pipeline system.

The commitment of capital by the multiple participants in the Project is reliant upon the Commission's previous approval -- in the Preliminary Determination for REX-West -- of the structure and result of the open season. All of the shippers referred to in the table indicated above obtained capacity in the original open season except for Berry Petroleum Company, Arrowhead Resources (U.S.A.) Ltd. and Coral. As explained in its July 28, 2006 supplement to its REX-West application, Rockies

Express replaced the original, winning bidder, Wyoming Pipeline Authority (“WPA”), with these shippers.²²

VII. FINANCING AND RECOVERY OF COSTS

1. Capital Structure and Rate of Return

The rate design, rate of return, capital structure and depreciation proposed here for REX-East are the same as proposed, and accepted, for REX-West. As with REX-West, it is anticipated that approximately 55% of the Project costs will be funded with equity and the remaining 45% with commercial bank and/or capital market debt.²³ The recourse rates for the new REX-East facilities are based on a proposed return on equity of 13% and a 6.75% cost of debt. The proposed capital structure, the rate of return on equity and cost of debt result in an overall rate of return of 10.19%, which is utilized in the calculations of the recourse rates proposed to apply to the new project facilities. The existing Firm Transportation Service (“FTS”), Interruptible Transportation Service (“ITS”) and Park and Loan Service (“PALS”) recourse rates, as approved for the Rockies Express Certificated Facilities are not proposed to be changed by this application as a result of the construction proposed for the Project.

2. Requested Return on Equity

Rockies Express is requesting a 13% rate of return on equity in determining its overall cost of capital for the new facilities. This proposed rate of return on equity is based upon the relative risks associated with the Project and assumed by Rockies

²² Due to the inability to exactly match the WPA volumes with other shippers, the total capacity reflected in Table 3 reflects unsubscribed capacity for the REX-West facilities of 8,000 Dth/day through June 30, 2009 (for a 1,500,000 Dth/day system) and unsubscribed capacity of 12,000 Dth/day thereafter, as well as unsubscribed capacity for the REX-East facilities of 12,000 Dth/day (for a 1,800,000 Dth/day system). Rockies Express is at risk for this unsubscribed capacity.

²³ See Exhibit L for the details of the financial profile associated with the REX-East Project.

Express. This rate of return is the same that was requested and approved for REX-West. This Project, moreover, will be one of the largest natural gas pipeline projects constructed in several years, constituting some \$2.2 billion of additional investment, over that already made in the existing Rockies Express Certificated Facilities, or a total investment in new infrastructure of over \$4.4 billion. The proposed rate of return on equity of 13% for REX-East, therefore, is reasonable considering the construction and financing risks attendant with a pipeline project this size and the rates of return on equity granted by the Commission to other new pipeline projects.

3. Requested Depreciation Rate

Rockies Express proposes to depreciate its new gas transmission plant using a 2.86% straight-line depreciation rate for accounting purposes, based on a 35-year useful life. Rockies Express determined the 35-year life based upon the estimated useful life of the facilities. The 35-year useful life, and corresponding 2.86% depreciation rate, is identical to that approved by the Commission for the Rockies Express Certificated Facilities. The Project is an extension of those facilities and thus it is reasonable to utilize the same useful life. There are no materially changed circumstances that would justify a different result. In Williston Basin Interstate Pipeline Co.,²⁴ the Commission affirmed an ALJ decision, in a general rate case, finding that the useful life of facilities dependent upon Northern Rocky Mountain and Western Canadian Sedimentary Basin gas was 35 years. This request, therefore, is consistent with Commission precedent. Rockies Express also reviewed physical, technical, supply and market obsolescence to confirm the reasonableness of a 35-year useful life.

²⁴ 104 FERC ¶ 61,036 at P 54 (2003), order on reh'g, 107 FERC ¶ 61,164 at P 27 (2004).

4. Rate Design and Recovery of Costs

Rockies Express has entered into negotiated rate contracts with all of its shippers. REX-East's recourse rates are designed using the Commission approved and preferred Straight Fixed Variable methodology ("SFV"). A new proposed Zone 3 rate will encompass all points east of the interconnect with PEPL in Audrain County, Missouri. Specific Zone 3 and recourse rate development is discussed more fully below.

**VIII.
RATES AND SHIPPER COMMITMENTS**

1. Rates and Revised Tariff Sheets

All firm shippers subscribing to the Project have elected to pay negotiated reservation rates. Details of the negotiated rate authority under which these elections were made are contained in Section 33 of the General Terms and Conditions ("GT&C") of Rockies Express' *pro forma* Second Revised Volume No. 1 FERC Gas Tariff. The Commission's Alternative Rate Policy Statement requires pipelines that enter into negotiated rate agreements for service to also provide anticipated recourse rates as an alternative for shippers, and as noted earlier, this alternative was offered during the open season process.²⁵ Since all of the firm shippers on REX-East will be paying negotiated rates pursuant to their individual service agreements, the applicability of additional incremental, tariff-based recourse rates to the services provided to such negotiated rates shippers is limited.

With the addition of the facilities proposed by this application, recourse rates for the completed Rockies Express system will be based on three zones. In its order

²⁵ Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines, 74 FERC ¶ 61,076, reh'g and clarification denied, 75 FERC ¶ 61,024, reh'g denied, 75 FERC ¶ 61,066 (1996).

approving a preliminary determination for REX-West, the Commission approved: (1) two-part firm recourse rates for Zones 1 and 2, (2) one-part interruptible rates based on a 100% load factor derivative of the firm transportation rates, and (3) incremental rates for the use of discrete compression facilities located at Meeker ("the Meeker Hub Facilities"), Cheyenne ("the Cheyenne Hub Facilities") and the Overthrust Lease Facilities.²⁶ Here, Rockies Express does not propose to alter the approved recourse rates for Zones 1 and 2. It simply will add a new Zone 3 for which, as set forth in Exhibit P, the recourse rates will reflect the costs associated with constructing facilities east of Audrain County, Missouri.

As noted previously, Rockies Express proposes to increase the capacity on its certificated facilities in Zones 1 and 2. Specifically, it proposes in Zone 1, from Wamsutter to Cheyenne, and in Zone 2, from Cheyenne to Audrain, to increase its certificated capacity from 1,500,000 Dth/day to 1,800,000 Dth/day. To accomplish this increase in capacity, Rockies Express proposes to construct and operate the Arlington Compressor Station in existing Zone 1 and the Bertrand Compressor Station in existing Zone 2. The construction of the two compressor facilities in Zones 1 and 2, respectively, serves to optimize the reliability and efficiency of Rockies Express' certificated facilities and benefits shippers by providing increased flexibility. The revenues received on the incremental capacity will offset the costs of the facilities, as shown in Exhibit N. Accordingly, Rockies Express requests that the Commission, consistent with its Policy Statement²⁷ and its approval of the roll-in of the Wamsutter and Echo Springs facilities for REX-West, approve the roll-in of the

²⁶ See REX-West PD, at P 42. In the Preliminary Determination, the Commission required certain changes to be made to the tariff provisions proposed by Rockies Express. These changes will be implemented separately by a compliance filing prior to the in-service date of REX-West.

²⁷ See Construction Policy Statement, 88 FERC ¶ 61,227 at p. 61,762, n. 12.

Arlington and Bertrand Compressors to Zones 1 and 2, respectively, to be reflected in the recourse rates for the Rockies Express Certificated Facilities proposed in a future rate case.²⁸

The Zone 3 rates provided in the proposed *pro forma* tariff sheets were developed consistent with the Commission's policy related to the straight-fixed-variable rate design.²⁹ Rockies Express is proposing two-part recourse rates for firm transportation service based on the applicable cost of service. Rockies Express also is proposing one-part rates for interruptible transportation service based on a 100% load factor derivative of the firm transportation rate. The proposed maximum and minimum recourse reservation and commodity rates under Rate Schedules FTS, ITS and PALS are set forth on the attached *pro forma* tariff sheets and were calculated based on the Zone 3 facilities costs as set forth in Exhibits K, N and P. As shown in the calculation of the Zone 3 rates in Exhibit P, Rockies Express has allocated a significant level of costs to interruptible service in the development of its recourse rates for REX-East.³⁰ Rockies Express, therefore, is not proposing to share any interruptible revenues for interruptible service on REX-East.³¹

Rockies Express seeks to permit deliveries of gas in time for the 2008/2009 winter heating season, prior to the installation of compressor stations on REX-East

²⁸ In the near future, Rockies Express will file a request under its blanket authorization to construct and operate certain gas supply facilities to receive natural gas from Lost Creek Gathering Company, L.L.C. The costs attributable to constructing said gas supply facilities will be rolled into Rockies Express' Zone 1 rates.

²⁹ 18 C.F.R. § 284.7(e) (2006); Northern Natural Gas Co., 105 FERC ¶ 61,299 at P 14 (2003) (Commission preference for straight fixed-variable (SFV) rate design).

³⁰ The costs allocated reflect the limited opportunity to engage in interruptible transportation on REX-East. Among other things, the new pipeline is over 95% sold out by long term negotiated rate contracts, and these volumes, if not utilized, will likely be offered in the capacity release market that competes directly with interruptible services.

³¹ See, e.g., Ingelside Energy Ctr., LLC, 112 FERC ¶ 61,101 at PP 26-28 (2005) (no revenue crediting required where pipeline allocated costs to interruptible services); Cheniere Creole Trail Pipeline, L.P., 118 FERC ¶ 61,125 at P 16 (2007) (Commission policy requires either crediting or allocation of costs to interruptible services for a new pipeline).

that will power up the facilities to the full 1,800,000 Dth/day requested certificated capacity. This initial transportation service on REX-East may be provided to points in Zone 3 located in Illinois, Indiana and Ohio, depending upon the timing and completion of construction of the Project. Such initial service, if provided, will be subject to specified negotiated rates set forth in the precedent agreements. The applicable recourse rate for the initial service on REX-East is proposed to be the existing Rockies Express Part 284 rate.

As noted above, rates under proposed Rate Schedules FTS, ITS and PALS are traditional cost-of-service based rates, designed under the SFV rate design methodology. Attached as part of Exhibit P is a Derivation of Rates which includes the schedules and work papers supporting the proposed initial recourse rates for Zone 3 including the maximum reservation rates, usage rates, FL&U charges, interruptible service rates, and park and loan service rates. Shippers on REX-East also are responsible for the ACA surcharge.

Certain provisions in the Rockies Express FERC Gas Tariff, *Pro Forma* Second Revised Volume No. 1, have been changed to reflect the addition of Zone 3. As an initial matter, the description of the Rockies Express pipeline system on Sheet No. 3 has been revised to reflect Zone 3, including the delivery points and additional states that are within Zone 3. In addition, the following tariff sheets have been revised to reflect the addition of Zone 3: Rate Schedules FTS and ITS (Sheet No. 5); ITS/FTS Fuel and Lost and Unaccounted-for Reimbursement Percentages (Sheet No. 6); Rate Schedule PALS and Overrun Service Charge (PALS) (Sheet No. 7); System-Wide Rate Schedule PALS and System-Wide Overrun Service Charge (PALS) (Sheet No. 7.01); Rate Schedule FTS, Overrun Service provisions (Sheet No.

32); Rate Schedule ITS, Overrun Service provisions (Sheet No. 44); Rate Schedule PALS, Overrun Service provisions (Sheet No. 57); Rate Schedule PALS, Mandatory Balancing provisions (Sheet No. 62); and General Terms and Conditions Cashout Procedures (Sheet No. 150). The Statement of Negotiated Rates has also been revised to reflect changes to the Primary Receipt Points and Primary Delivery Points that will be reflected in the firm transportation service agreements for REX-East (*see* Sheet Nos. 8, 8A, 8B, 8C and 9 through 9M).³² All of these changes are set forth, in marked and unmarked versions, in Exhibit P.³³

For Zone 3 fuel, lost and unaccounted for gas ("FL&U"), Rockies Express is proposing to use the form of FL&U tracker that was approved for the Rockies Express Certificated Facilities. The FL&U tracker will separately delineate FL&U in Zone 3 for recovery of such costs from shippers utilizing those facilities. The initial FL&U percentage proposed to be applicable for the Rockies Express Zone 3 facilities is 1.62% as set forth on *pro forma* Tariff Sheet No. 6. As a result of adding the Arlington and Bertrand Compressor Stations to Zones 1 and 2, FL&U will increase to an annual average of 1.00% for Zone 1 and 1.64% for Zone 2. Once the proposed revised *pro forma* tariff sheets are approved by the Commission in this proceeding, Rockies Express, thereafter, will file the revised tariff sheets not less than 30 days and not more than 60 days prior to commencement of service on the REX-East system (anticipated to be December 30, 2008).

³² Primary points are subject to change.

³³ Rockies Express is required to revise certain of the tariff sheets in its FERC Gas Tariff pursuant to the preliminary determination issued by the Commission in the REX-West proceeding. Those required changes are not reflected in the proposed revised *pro forma* tariff sheets included in Exhibit P; rather those required changes will be reflected in the replacement tariff Rockies Express will submit prior to commencement of service on the REX -West system.

2. Shipper Commitments

A. Introduction

As more fully described in the Rockies Express application for the REX-West certificate, Rockies Express recognizes that a project of this scale would only proceed if the project could attract relatively large, long-term commitments. To attract shippers, Rockies Express developed the Foundation, Anchor and Standard tiers of shippers with the varying levels of negotiated rate offerings and related contractual benefits described above. As a result of extensive precedent agreement negotiations, shippers and Rockies Express were able to reach agreements through which many shippers qualified for the Foundation, Anchor or Standard Shippers' rights. Through this process, Rockies Express was able to attract the type and quality of creditworthy parties necessary to undertake the extraordinary financial risks associated with this type of project.

In the REX-West Preliminary Determination and Certificate orders, the Commission approved the rate and contractual offerings that were based on a shipper's status as a Foundation Shipper, Anchor Shipper or Standard Shipper and found that, in these circumstances, the negotiated rates and contractual terms offered to Foundation Shippers and Anchor Shippers were not unduly discriminatory.³⁴ In addition, and as more fully explained in the REX-West certificate application, certain of the precedent agreements signed by shippers in the open season contain provisions which address unique circumstances of the shipper that, but for the particular provision, would not provide the shipper with the contractual incentive necessary for it to make a binding commitment to the Project. The REX-West certificate

³⁴ See REX-West PD; Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007).

application described provisions in the precedent agreements which might constitute material deviations from the tariff form of service agreement, but which would not be unduly discriminatory. In the REX-West Preliminary Determination, the Commission approved the non-conforming provisions and acknowledged that these provisions were necessary to secure the financial commitments for construction of the most efficient pipeline project and that the provisions had been tailored to address the unique circumstance of the respective shipper.³⁵

Similar provisions in the precedent agreements will be reflected in the REX-East FTS Service Agreements. Due to circumstances described below, certain shippers were granted particular contractual rights which may be non-conforming but that were, nonetheless, necessary for the shipper to make a binding commitment to the Project. In each of these situations, no other shipper is similarly situated to the shipper that executed the precedent agreement. Rockies Express believes that, due to the circumstances that gave rise to the provisions identified herein, none of the contract provisions affects the quality of service to be received by that shipper or any other shipper. Moreover, because no other shipper is similarly situated and the unique provisions were narrowly tailored to address a particular issue without affecting the terms or conditions of its base firm transportation service, Rockies Express submits that none of the identified contract provisions creates the risk of undue discrimination.

Although the contract provisions described below may constitute material deviations from the form of service agreement in the tariff, none of them is unduly discriminatory. Each of the contract provisions, therefore, should be permitted to be

³⁵ REX-West PD, at P 78.

included in the respective negotiated rate agreements.³⁶ Consistent with current Commission policy, Rockies Express intends to file the negotiated rate agreements, identifying any material deviations or non-conforming provisions in each agreement, at the time specified in the regulations or in a Commission order in this proceeding. As part of this application, Rockies Express is providing for review those provisions unique to REX-East, which would be reflected in the FTS Service Agreements.

B. U.S. Minerals Management Service

As described in the REX-West certificate application, the U.S. Minerals Management Service of the Department of the Interior ("MMS") is an agency of the federal government subject to specific statutory requirements governing its Royalty in Kind ("RIK") program³⁷ and to periodic reauthorization of its authority to use a portion of the revenues from the RIK program to pay for transportation and to process or otherwise dispose of RIK production. In the REX-West certificate order, the Commission approved certain provisions in the MMS precedent agreement that require that certain rate and termination provisions be included in the MMS FTS Service Agreement in order to permit MMS to access transportation and other services from Rockies Express that are necessary to implement the RIK program.³⁸

Following the in-service date of facilities needed to deliver MMS gas to the Lebanon Hub, MMS will have a right to terminate its FTS Service Agreement if its

³⁶ See, e.g., CenterPoint Energy Gas Transmission Co., 104 FERC ¶ 61,280 at P 7 (2003) (non-conforming deviation reflecting unique status of shipper permitted) (citing Tenn. Gas Pipeline Co., 97 FERC ¶ 61,225 at p. 62,029 (2001) and ANR Pipeline Co., 97 FERC ¶ 61,223 at p. 62,016 (2001)); see also, Gulfstream Natural Gas Sys., L.L.C., 100 FERC ¶ 61,036 at PP 14-15 (2002).

³⁷ 42 U.S.C. § 15902(d) (Pamphlet 3A December 2005) ("The Secretary may receive oil or gas royalties in-kind only if the Secretary determines that receiving royalties in-kind provides benefits to the United States that are greater than or equal to the benefits that are likely to have been received had royalties been taken in value.").

³⁸ See REX-West PD at P 78; the Commission had previously recognized MMS' unique status as a federal agency in permitting non-conforming provisions. Sabine Pipe Line LLC, 113 FERC ¶ 61,312 at P 5 (2005).

RIK gas is not sold at fair market value. Granting this right to MMS was required because its activities are subject to "The Mineral Leasing Act of 1920" which authorizes MMS to take royalties in kind and requires that MMS obtain market price for royalty oil and gas it sells. The methodology for determining whether MMS has obtained market price for its gas is specifically defined in the Precedent Agreement and will be included in the MMS FTS Service Agreement.

C. BP Energy Company

As described in the REX-West certificate application and approved by the Commission in the Preliminary Determination, BP Energy Company ("BP") agreed to increase its capacity commitment by 200,000 Dth/day upon the commencement of full Rockies Express service to Clarington (1,800,000 Dth/day) in order to secure commitment of gas from a producer who sought capacity but could not satisfy the credit requirements.³⁹ BP has entered into a five-year gas supply contract with the producer to purchase the gas needed to meet its increased capacity commitment.

Under the agreement for REX-East, in recognition of BP's reliance on the producer to provide the gas to meet its increased transportation commitment to Rockies Express, BP has a non-conforming provision which provides it the right during the five-year period commencing with the date service is provided to Clarington to reduce its MDQ by up to 200,000 Dth/day if the producer files for bankruptcy and BP's contract with the producer is rejected. Further, BP has the one-time right to reduce its MDQ by up to 200,000 Dth/day on the fifth anniversary of the date service is provided to Clarington if it has not reduced its MDQ on the basis of

³⁹ See REX-West PD at P 78. In return for BP's commitment to step-up its capacity, if and when REX-East is put in service, Rockies Express agreed that, as of the in-service date of REX-West, BP would have the right to the Anchor Shipper rate, most favored nations rate treatment at the Anchor Shipper rate, annual contract rollover right, and a one-time contractual ROFR.

the producer rejecting the underlying contract due to bankruptcy. This second MDQ reduction right, which coincides with expiration of the gas supply contract between BP and the producer, gives BP flexibility to retain all or a portion of the 200,000 Dth/day increased commitment by either renewing the gas supply contract with the producer, entering into a gas supply contract with another producer, or by using BP-owned gas. Finally, in the event REX-East does not provide service to the Clarington Hub on or before September 10, 2010, BP has the right, in lieu of terminating its precedent agreement for REX-East service, to reduce its MDQ by any quantity, subject to a minimum of 100,000 Dth/day.

If BP foregoes the MDQ reduction rights discussed above and elects to increase its Echo Springs Primary MDQ receipt point in order to meet its 300,000 Dth/day transportation commitment, Rockies Express has agreed to install, at its sole cost, the necessary facilities to increase the Echo Springs receipt point quantity by up to 200,000 Dth/day.⁴⁰ If BP reduces its MDQ commitment to Rockies Express under any of its MDQ reduction rights so that its total MDQ is less than 200,000 Dth/day, its negotiated transportation rate will be increased from the Anchor Shipper rate to the Standard Shipper rate. As noted above, these provisions were negotiated with BP as a means for Rockies Express to secure the commitment of gas from a producer that sought capacity but could not satisfy its credit requirements. Because BP was willing to enter into this agreement, Rockies Express was able to get that producer's gas committed to the Project under a contract with a creditworthy party (i.e., BP). Getting this significant volume of capacity subscribed to the Project was absolutely

⁴⁰ As part of the REX-West agreement, and as approved by the Commission, in order to allow receipt of BP's initial 100,000 Dth/day commitment, Rockies Express agreed to establish a primary receipt point and install the Echo Springs Compressor Station and Echo Springs supply lateral connecting the Wamsutter Field, where BP is a major producer. See REX-West PD at PP 77-78.

necessary to get the pipeline sufficiently subscribed which ultimately benefited all potential shippers on the pipeline.

IX. NEPA PREFILING AND LANDOWNER PARTICIPATION

Rockies Express has sought and received direct landowner, community, federal, state and local agency input in designing its Project. Rockies Express initiated the Commission's NEPA prefilng procedures by its letter dated June 1, 2006. By letter dated June 13, 2006 in Docket No. HF06-30-000, the Director of Office of Energy Projects for the Commission agreed to Rockies Express' participation in the NEPA prefilng process. As part of this process, Rockies Express has been in on-going consultations with the affected federal, state and local government agencies. Likewise, Rockies Express also held customer meetings to provide information to potential shippers about its Project on November 15, 2005 and November 17, 2005 in Chicago, Illinois and Teaneck, New Jersey, respectively, and the following 20 open house meetings along the proposed route for the Project:

1.	June 19, 2006	Cambridge, OH
2.	June 19, 2006	Bowling Green, MO
3.	June 20, 2006	Zanesville, OH
4.	June 20, 2006	Springfield, IL
5.	June 21, 2006	Woodsfield, OH
6.	June 21, 2006	Winchester, IL
7.	June 22, 2006	Ashville, OH
8.	June 22, 2006	Decatur, IL
9.	June 23, 2006	Lancaster, OH
10.	June 23, 2006	Danville, IL
11.	June 26, 2006	Wilmington, OH
12.	June 26, 2006	Tuscola, IL
13.	June 27, 2006	Mason, OH
14.	June 27, 2006	Rockville, IN
15.	June 28, 2006	Hamilton, OH
16.	June 28, 2006	Franklin, IN
17.	June 29, 2006	Greensburg, IN
18.	June 29, 2006	Plainfield, IN
19.	October 10, 2006	Bainbridge, IN
20.	October 11, 2006	Franklin, IN

In addition to the open houses described above, Rockies Express also participated in community outreach meetings held in Johnson County, Indiana at various locations throughout the day on July 13 and 14, 2006 and additional follow-up meetings held on August 21, 2006 and October 10, 2006 (Bainbridge, Indiana) and October 11, 2006 (Franklin, Indiana).

On August 16, 2006, in Docket No. PF06-30-000, the Commission issued its Notice Of Intent To Prepare An Environmental Impact Statement For The Proposed Rockies Express Pipeline Project, Eastern Phase Request For Comments On Environmental Issues And Notice Of Public Scoping Meetings ("NOI").⁴¹ Nine scoping meetings were hosted by the Commission Staff from September 11 through 15, 2006 in various locations along the route. Rockies Express has incorporated the comments raised in the scoping meetings in its environmental resource reports.

⁴¹ The scoping period described in the NOI closed September 29, 2006.

In addition, Rockies Express held meetings and made informational presentations to state utility commissions in those states which both REX-West and REX-East will traverse. Except as otherwise noted, the meetings were open to all interested potential shippers, utilities and other parties. These meetings were held with the following state commissions:

- | | | |
|----|------------------|---------------------------------------|
| 1. | January 17, 2006 | Missouri Public Service Commission |
| 2. | January 17, 2006 | Kansas Corporation Commission |
| 3. | January 18, 2006 | Nebraska Public Service Commission |
| 4. | January 25, 2006 | Colorado Public Utilities Commission |
| 5. | January 25, 2006 | Indiana Utility Regulatory Commission |
| 6. | January 30, 2006 | Public Utilities Commission of Ohio* |
| 7. | February 8, 2006 | Illinois Commerce Commission* |
| 8. | March 6, 2006 | Wyoming Public Service Commission |

* This meeting was only held with the Chairman, commissioners and various staff members.

Rockies Express 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 irrigation systems and right-of-way restoration, Rockies Express will also work with these landowners with regard to the timing associated with land cultivation and the construction of the pipeline. Rockies Express has worked with, and will continue to work with, these and the other affected landowners in identifying any other potential issues of concern. In this regard, as set forth in the Environmental Report submitted herein as Exhibit F-I (Resource Report No. 10), Rockies Express already has made numerous alterations in its pipeline construction route and methodology to accommodate landowner concerns. A toll-free hotline (1-866-566-0066) has been installed to address any concerns raised by landowners before, during or after construction of REX-East. Further, the Rockies Express website (www.rexpipeline.com) is periodically updated with new

information pertaining to the Project. Based on this preliminary and ongoing work, Rockies Express anticipates that there will be no significant impact to the affected landowners.

X. ENVIRONMENTAL COMPLIANCE

1. Results of PreFiling Process and Content of Environmental Report

This application is subject to the requirements of the Energy Policy Act of 2005 (“EPAAct 2005” or “the Act”).⁴² EPAAct 2005 designates the Commission as “the lead agency for purposes of coordinating all applicable Federal authorizations and for purposes of complying with the National Environmental Policy Act of 1969.”⁴³ Among other things, the statute authorizes the Commission to establish a schedule for federal authorizations, and, pursuant to Section 313 of the Act, directs the Commission to “ensure expeditious completion” of NGA sections 3 and 7 proceedings.⁴⁴

Pursuant to the Act, the Commission has issued a final rule implementing EPAAct 2005.⁴⁵ Sections 153.8 and 157.14 of the Commission’s new regulations require that an application filed with the Commission include:

A statement identifying each Federal authorization that the proposal will require, the Federal agency or officer or State agency or officer acting pursuant to delegated Federal authority, that will issue each required authorization; the date each request for authorization was submitted; why any request was not submitted and the date submission is expected; and the date by which

⁴² Pub. L. No. 109-58, 119 Stat. 594.

⁴³ EPAAct 2005, § 313(a), 119 Stat. at 689.

⁴⁴ *Id.*, § 313(c), 119 Stat. at 689.

⁴⁵ Regulations Implementing the Energy Policy Act of 2005; Coordinating the Processing of Federal Authorizations for Applications Under Sections 3 and 7 of the Natural Gas Act and Maintaining a Complete Consolidated Record, 71 Fed. Reg. 62,912 (Oct. 27, 2006) (“Final Rule”).

final action on each Federal authorization has been requested or is expected.⁴⁶

In the Final Rule, the Commission noted that most applicants participate in the prefiling process ("PF Process") which affords the applicant, "Commission staff, and staff from other agencies the opportunity to identify which Federal authorizations will be needed for a project, and ample time for the [applicant] to prepare requests for related Federal authorizations in advance of filing an application with the Commission".⁴⁷ Thus, according to the Commission, "the prefiling process can establish coordination among the agencies responsible for reviewing a project proposal"⁴⁸

Consistent with EAct 2005 and the Commission's regulations, Rockies Express has engaged in an extensive, successful prefiling process (Docket No. PF06-30) with the Commission Staff and cooperating local, state and federal agencies to commence a timely and thorough review of the Project's environmental requirements. The gathering and processing of environmental information has proceeded on the schedule mutually adopted by the Commission Staff and Rockies Express at the commencement of the PF Process. Among other things, Rockies Express has contacted, and begun the formal consultation process with, every permitting agency that will review the REX-East Project.⁴⁹ Rockies Express also has exchanged two complete drafts with the Commission Staff of the thirteen environmental "Resource

⁴⁶ Final Rule, 71 Fed. Reg. at p. 62,920 - 921.

⁴⁷ Final Rule, 71 Fed. Reg. at P 9. Generally, in order to develop the required Part 380 resource reports, an applicant would need to consult with various agencies prior to filing the application (e.g., the filing of resource report 4—Cultural Resources requires documentation of the applicant's initial consultation, including comments from the State Historical Preservation Officer).

⁴⁸ Final Rule at P 9.

⁴⁹ A statement identifying each Federal authorization that the proposal will require, the Federal agency or officer or State agency or officer acting pursuant to delegated Federal authority, which will issue each authorization; the date each request for authorization was submitted; and the date by which final action on each Federal authorization has been requested or is expected is set forth in Exhibit J to this application.

Reports” that, all together, comprise the “Environmental Report” required by Sections 157.14 (6-a) and 380.12 of the Commission’s regulations.⁵⁰ Thus, the intent of the Commission’s prefilings process, *i.e.*, the early identification and discussion of environmental issues for the Project, has been accomplished, assisting the Commission in executing its responsibilities under EPCA 2005.

The environmental data submitted by Rockies Express in this application is substantially complete and, meets the Commission’s minimum filing requirements. As set forth in the attached Resource Reports, Rockies Express has provided the information required for Resource Report Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13. The environmental survey data submitted with this application represents both field survey and intensive “desktop” reviews of the environmental data that Rockies Express will provide for this ambitious project that will cover over 600 miles, stretching across four states.

The field survey data that remains to be submitted can largely be attributed to: (1) landowner refusal to permit Rockies Express entry for any survey work; (2) Rockies Express respecting requests of individual landowners to delay entry and survey work during discrete periods such as planting or harvest times; (3) seasonal considerations; and, (4) in some instances weather-related delays in appropriate survey conditions. In the case of landowner refusal, the Commission’s regulations expressly contemplate this occurrence and specifically provide an applicant the ability to establish a timetable under which the Commission can proceed with processing the application while data continues to be submitted.⁵¹ As set forth below, Rockies

⁵⁰ 18 C.F.R. §§ 157.14 and 380.12.

⁵¹ See 18 C.F.R. § 380.12(f)(2)(ii) (“If landowners deny access to private property and certain area are not surveyed, the unsurveyed areas must be identified by mileposts, and supplemental surveys or

Express intends to provide the remaining environmental data to the Commission in a time frame that should permit the Commission Staff and other cooperating federal and state agencies to complete an environmental impact statement within the time period agreed to in the PF Process. Rockies Express is aware that it carries the responsibility and burden of submitting the remaining data to the Commission in a timely manner in order to permit the application to be processed within the schedule originally established in the PF Process.

The data that remains to be submitted is required for Resource Report Nos. 2, 3, 4 and 9, as depicted on the table below. Rockies Express will provide a brief explanation and schedule with respect to each subject area.

Resource Report	Supplemental Information Forthcoming	Anticipated Submittal Date
2 – Water Use and Quality	Geotechnical Investigations	
	• Three agency-requested areas	June 2007
	• Remaining areas	July 2007
	Wetland Mitigation Plans	July 2007
3 – Fish, Wildlife, and Vegetation	Biological Field Survey data	July 2007
4 – Cultural Resources	Cultural Resources Survey data (Phase 1)	July 2007
9 – Air Quality and Noise	Air permit applications	June 2007

A. Geotechnical Investigations

As set forth in Resource Report No. 2, Rockies Express intends to cross both the Big Darby Creek and the Little Miami River in Spring 2008 using the horizontal directional drill (HDD) method. Both waterbodies are designated national Wild and Scenic Rivers. As part of the process required to obtain permission for crossing waterbodies so designated, Rockies Express is preparing detailed plans which require

evaluations shall be conducted after access is granted. In such circumstances, reports, and treatment plans, if necessary, for those inaccessible lands may be filed after a certificate is issued.”).

a technical geological study to determine the feasibility of, and direction for, the directional drills that will take place under the rivers. Due to heavy rains, Rockies Express contractors have been unable to complete those studies as of this filing. However, each geotechnical investigation is currently under way and will be completed by June 2007. Rockies Express is also in regular contact with the U.S. Department of the Interior, National Park Service, U.S. Army Corps of Engineers, U.S. Fish & Wildlife Service, and the Ohio Department of Natural Resources. As a result of these on-going consultations, it is Rockies Express' current expectation that all cooperating federal and state agencies responsible for aspects of these crossings will be in a position to meet the proposed schedule for the NEPA documents.

The current route proposes to cross the Mississippi River north of the town of Louisiana, Missouri using the HDD method. This crossing is within the area administered through the Sny Island Levee Drainage District ("Levee District"). The Corps of Engineers also has certain residual responsibilities with respect to such crossings. Rockies Express has been in active discussions with both agencies. At the present time, on-going work is being conducted to complete geotechnical studies. These studies are anticipated to be completed by July 2007. Rockies Express and the relevant federal, state and local agencies have agreed to meet again to review the additional data. At issue here is the nature of the crossing, whether it will be submerged at a depth of 200 feet under the river or whether it will be up and over the levee crossing. Based upon the results of these studies, Rockies Express anticipates being able to resolve the type of crossing, location and develop additional details for submission to the record by July 2007. During the prefiling process, Rockies Express has also committed to provide copies of completed studies and communications with

the agencies to the Commission. Rockies Express will also inform the Commission staff of the time and place of meetings with the Levee District and the Corps of Engineers related to this river crossing. Rockies Express appreciates that this data is important to the Commission to assist its development of the portions of the EIS relating to alternatives considered in evaluating the proposed project.

In addition to the waterbody crossings described above, Rockies Express will be installing the pipeline under 17 waterbodies/features using the HDD construction technique. Rockies Express will be completing geotechnical investigations at these crossings to support the HDD construction technique. Rockies Express anticipates completing the geotechnical investigations by July 2007.

B. Wetland Mitigation Plans

Wetlands within the project area are regulated under Section 404 of the Clean Water Act ("CWA"), Section 401 of the CWA, and, in the case of Indiana and Ohio, state-regulated isolated wetland rules. Offsite compensatory wetland mitigation is typically required in Indiana and Ohio. In Missouri and Illinois, onsite wetland restoration may be acceptable to the regulating agencies. Rockies Express expects to have its conceptual wetland mitigation plans in Indiana and Ohio prepared by June 2007.

C. Biological Field Survey Data

For Resource Report No. 3, Rockies Express has identified certain threatened and endangered species, and potential habitat areas for such species that are subject to further review and study. The two species which have been specifically identified and discussed with staff during the prefilig process have been the Indiana Bat and various mussels particularly in the two Wild and Scenic River crossings discussed

above. Surveys to determine the presence or absence of these species are scheduled to commence in May 2007 and complete by July 2007. Rockies Express has been in direct communication with the regional offices of the FWS to coordinate the timing, scope and content of studies to be undertaken. The results of the studies are scheduled to be completed by July 2007 and will be submitted to the relevant state and federal agencies for their review and to the Commission.

D. Cultural Resources Survey Data

For Resource Report No. 4, Rockies Express must submit cultural resource survey reports for the entire length of the project, *i.e.* 638 miles. For this application, Rockies Express has included reports of cultural resource surveys conducted between September 2006 and January 2007 (approximately 45% of the land it will cross). For the approximately 55% of the right-of-way not addressed by cultural resource survey reports included with this application, Rockies Express was effectively denied access for cultural resource surveys as a result of: 1) landowner denial of access under any circumstances (15%), 2) landowner denial by agreement for seasonal reasons primarily relating to the agricultural use of the lands which was exacerbated by winter weather, and 3) snow cover which limited adequate visibility necessary for cultural surveys. Rockies Express has since completed the actual surveys of additional acreage for a total of approximately 60% of the acreage to be crossed. By June 2007, Rockies Express will complete cultural resource surveys on lands where it is granted permission to enter the land. The reports on the results of these additional surveys will be filed by July 2007.⁵² The remainder of the survey reports will be submitted

⁵² In consultation with the state historical preservation officers, Rockies Express has agreed to attempt to complete the reports as one, rather than multiple, addendums. If the Commission Staff would prefer to receive interim or multiple cultural survey reports as they are completed, Rockies Express will accommodate that request.

following the granting of access to survey for cultural resources, as is contemplated by the Commission's filing regulations.

E. Air Permit Applications

For Resource Report No. 9, Rockies Express will submit its state-regulated air permit applications to the Commission by June 2007.

F. Conclusion

Rockies Express believes that, based on the data that has been compiled during the prefiling process and is being submitted with this application, as well as the timetable identified for the submission of key portions of the remaining environmental data, the application is complete and ready for detailed review by the Commission.⁵³ Rockies Express is mindful that the burden is on it to develop the data necessary for this Commission and all cooperating agencies to complete their review and to prepare the required environmental documents. To the extent that Rockies Express is unable to complete its work in the anticipated time frame, it risks the Commission and the relevant agencies not being able to complete its required undertakings in a time frame that would permit completion of the environmental review during December 2007 and the issuance of the requested authorizations by February 2008. Rockies Express is confident that the identified schedules can be met. An extraordinary amount of data already has been compiled, submitted and reviewed.

⁵³ See, e.g., 18 C.F.R. § 380.12(a)(2): "If any resource report topic is required for a particular project but is not provided at the time the application is filed, the environmental report shall explain why it is missing and when the applicant anticipates it will be filed." See also Office of Energy Projects, FERC, Guidance Manual for Environmental Report Preparation, at 3-3 (August 2002) (the Director of the Office of Energy Projects, rather than reject an application for incomplete data, may allow a project to proceed where the applicant "has provided an acceptable reason for the items absence and an acceptable schedule for filing it.")

In addition, Rockies Express has secured all of the external resources it requires to complete the outstanding assignments, surveys, studies, reports and consultations.⁵⁴

2. Identified Landowner Issues and Proposed Mitigation Measures

The proposed Project facilities are designed and will be constructed in a manner that is intended to minimize environmental impacts. An Environmental Report, submitted herewith as Exhibit F-I, provides an analysis of the existing environmental conditions and the impact of the proposed facilities on the environment as required under NEPA. For much of the proposed route, the facilities will be located on, or adjacent to, existing pipeline right-of-way. The sites that were selected by Rockies Express for new compressor stations were selected to have a minimal aesthetic and environmental impact on the physical environment and surrounding communities along the pipeline and still meet the hydraulic requirements of the system. Through landowner interactions, Rockies Express has tried to accommodate specific requests in routing its pipeline to minimize disturbance to their property where possible. In addition, Rockies Express has developed agricultural mitigation plans in coordination with state agencies, farm bureaus and landowners. The Environmental Report outlines specific mitigation measures relative to agricultural issues.

Rockies Express has been, and continues to be, engaged in consultations and coordination with the affected federal, state and county government agencies concerning the proposed construction activities associated with the Project. Rockies Express has met with federal, state and county officials to explain the Project, discuss

⁵⁴ Rockies Express received additional data requests on the second set of resource reports submitted during the prefilig process on April 26, 2007. Since the resource reports submitted herewith were already in reproduction, Rockies Express will answer all of the data requests expeditiously commencing with its initial responses being filed prior to the conclusion of the notice period for the application.

their specific requirements, and provide an opportunity for any early concerns to be raised and resolved.

With respect to landowners, Rockies Express, as described above, has engaged in an extensive effort to contact landowners early in the planning process and continues to work with, and be available to, affected landowners. As set forth in the Environmental Report that accompanies this application, Rockies Express has complied, and will continue to comply, with the Commission's landowner requirements at 18 C.F.R. § 157.6(d) (2006). A list of affected landowners is included with the Environmental Report. Rockies Express has contacted all affected landowners either by mail, phone and/or direct contact concerning the proposed Project.

Within three business days following the Commission's issuance of a notice of the application, Rockies Express will mail the required formal notification letter in conformance with 18 C.F.R. § 157.6(d)(3) (2006) to each affected landowner and county, state and federal governments and agencies involved in the Project.⁵⁵ Further, within three business days after the Commission assigns a docket number for the application, an electronic copy of the application will be made available for inspection in centrally located public libraries in each of the counties where construction will occur. A hard copy of the application will be furnished to any requesting party. Within 14 days after the assignment of a docket number, a notice that the application has been filed will be published twice in newspapers of general circulation in the affected counties.

⁵⁵ Within 30 days after the application filing date, Rockies Express will file an updated list of affected landowners, including information concerning any notices that were returned as undeliverable.

3. Construction Right of Way

A. 125-Foot Construction Right of Way

In accordance with the suggestion to “*Conduct an overall project constructability assessment to provide early identification of temporary use areas and areas requiring specialized construction procedures*” described in a February 9, 2007 letter from Mr. Mark Robinson, FERC Director of Energy Projects to Mr. Scott Parker, President Natural Gas Pipeline Group of Kinder Morgan, Inc., careful consideration of stakeholder, environmental and constructability concerns was given during the siting and layout of workspace requirements for this project. As such, Rockies Express requires a 125-foot right of way to construct 638 miles of 42-inch pipeline for the REX-East Project. Accordingly, Rockies Express requests that the Commission expressly grant a 125-foot right of way along the entire length of the pipeline route except in the areas specifically delineated where, due to circumstances such as a wetland or sensitive biological or cultural grounds, Rockies Express will reduce the width of the right of way. As described in Section B, below, there are also many areas where, due to full right-of-way topsoil segregation, an additional 35 feet of right of way will be needed.

A 42-inch pipe requires a deeper and wider trench, more spoil storage area, larger equipment, and a wider passing lane than projects using smaller pipe. Specifically, as explained in Resource Report No. 1 of the Environmental Report, construction of a 42-inch pipeline will require using large sidebooms. Rockies Express anticipates the use of CAT 594s and the newer CAT 589s for movement of the pipe on the construction right-of-way. These units require a considerable width of right-of-way for safe operation. For instance, a CAT 589 with the boom and

counterweight retracted requires a minimum width of 15 feet, while the operational width necessary for extension of the boom and counterweight is roughly 38 feet. For safety and operational considerations, a minimum of approximately 5 feet of width will be needed to offset the equipment from the welded pipe; the same distance will be required on the ditch side of the welded pipe for worker safety. The need for these larger sidebooms will be present for the entire length of the route.

For a pipeline of this size and length, it is necessary for safety for construction to use a construction right-of-way width of 125-feet. First, due to the length of the pipeline, Rockies Express intends to utilize automatic welding. Automatic welding requires the use of sheds that are approximately 10-feet wide and machinery to move the sheds. Thus, besides needing a wider ditch width for the 42-inch pipeline, Rockies Express will be "leap-frogging" automatic welding sheds down the length of the pipeline. This is a practical and efficient method to build a pipeline of this size and length, and, without the ability to do this efficiently, will slow down the construction of the pipeline, create potentially greater safety hazards, and cause Rockies Express to remain on the right of way for longer periods of time. With welding sheds, in addition to the factors described below, Rockies Express requires a 125-foot right of way to operate safely and efficiently at the trench site and to be able to move one shed around another during construction. The workspace needed is graphically illustrated in the illustrations set forth in Resource Report 1, Appendix 1A.⁵⁶

In addition to the use of automatic welding operations and larger sidebooms, Rockies Express' general construction sequence plans include the stringing and

⁵⁶ Rockies Express reserves the right to further supplement its application on this matter as new facts come to light.

welding of pipe after trenching operations. Where this technique is used, an offset of approximately 8 feet, minimum, for the strung and welded pipe must be provided from the edge of the ditch in order to accommodate the automatic welding equipment, provide safe passage for traditional welding and minimize instances of sidewall cave-in due to the weight of the pipe. This means that the entire working area would be shifted further from the centerline and, without a 125-foot wide construction right-of-way, there would be insufficient room for passing of the larger sidebooms, precluding the use of this efficient construction technique.

With the larger equipment, a basic, practical work space consideration must also be addressed. Workers need the ability to safely operate, and get access to, equipment and materials without being placed in too tight quarters. A right of way of less than 125 feet jeopardizes their ability to work efficiently and without constraint. Accordingly, as a practical workspace matter, a 125-foot right of way is required for a 42-inch pipeline.

Rockies Express is sensitive to the environmental considerations that have led the Commission to limit nominal right-of-way authorizations to the minimum required. Nevertheless, Rockies Express submits that a careful balancing of environmental and other public interest considerations leads to a conclusion that a 125-foot right of way is justified for REX-East.

Besides the construction-related factors discussed above, there are additional environmental factors that should be considered when evaluating the environmental impact of granting the increase in the core right-of-way width. First, a more limited working area will likely slow construction below the optimal, safe pace, meaning longer potential disruption to wildlife and farming operations, and increased potential

for equipment leakage or spills. Although these risks always will be present during pipeline construction, increasing the time required for construction increases the amount of time during which these risks are present. Moreover, extending the construction period increases the risk that the seasonal onset of unfavorable weather conditions would delay restoration activities and disrupt normal farming practices.

A more limited construction right-of-way width could also increase the likelihood of less favorable (i.e., longer) restoration, due to increased potential disturbance to topsoil. Rockies Express, specifically, seeks to limit the amount of disturbance (both physically and temporally) to topsoil. Unnecessary disturbance of these soils will impair the general Project area's ability to recover quickly from construction effects. Confining the construction right of way will increase the likelihood of that disturbance as vehicles necessarily will travel on the right of way more often due to limited working area and decreased daily progress.

B. Special Factors Requiring an Additional 35 Feet of Right of Way for Temporary Workspace to Accommodate Full Right-of-Way Topsoil Segregation

In addition to the 125-foot right of way addressed above, Rockies Express requests authorization for an additional 35 feet of right of way through agricultural and other areas in which Rockies Express will conduct full right-of-way topsoil stripping. The majority of the route is located in areas of active agricultural operations.

Consistent with discussions with the Commission Staff in developing the Rockies Express Project, discussions at public meetings, requests of local and state agricultural interests as well as individual landowners, Rockies Express will offer each landowner the option to conduct full right-of-way topsoil stripping or ditch plus

spoil side topsoil stripping along the construction right of way. Full top soil segregation will minimize overall effects on the agricultural areas and will permit return of the disturbed area with less overall impact. This more comprehensive topsoil segregation will also reduce the likelihood of the topsoil mixing with subsoil. To implement this method of segregating the soils for the entire 125-foot width, Rockies Express will need an extra 35 feet on which to store the topsoil. Accordingly, for all areas in which Rockies Express proposes to utilize the "full top soil segregation" methodology, Rockies Express requests that it be granted a 160-foot right of way (125 feet plus 35 feet).

C. Right of Way for Wetlands

Rockies Express requests a 100 foot right of way for construction in all wetlands. This request by Rockies Express specifically addresses the fact that wetlands are more environmentally sensitive areas, while, at the same time, acknowledging the greater width of right of way that is required for a 42-inch pipeline.

For REX-East, Rockies Express specifically requests a 100-foot right of way for forested and saturated wetlands, as well as for non-saturated emergent and scrub-shrub wetlands. Rockies Express acknowledges the Commission granted a 100-foot right of way for non-saturated emergent and scrub-shrub wetlands and only a 75-foot right of way for forested and saturated wetlands for REX-West.⁵⁷

Rockies Express, however, believes that different circumstances exist on REX-East, particularly more rugged terrain. The constructability assessment by Rockies Express' engineers determined, therefore, that a 100-foot right of way will be

⁵⁷ See e.g., Final Environmental Impact Statement for REX-West at 2-24.

necessary in all wetlands. Opportunities for the push-pull construction method are minimal, thus requiring conventional trenching methods of installation. By definition, the soil from the trench is wet and cannot be stacked as easily. Accordingly, a larger trench must be dug and a larger space is required to store the more loose (e.g. wet) soil. Rockies Express is concerned that, with a 75-foot right of way, either numerous requests for variations will be required, or will result in the inability of Rockies Express to maintain compliance during construction. Additionally, as noted above, the terrain for REX-East is more rugged than REX-West, particularly in Indiana and Ohio. In order to maintain a stable and safe working environment for workers in these circumstances, a wider construction right of way will be required.

Rockies Express will limit the construction right of way width in areas that contain cultural resources or sensitive biological concerns, such as nesting or foraging areas for protected species, in accordance with federal and state wildlife agencies and State Historical Preservation Offices requirements. These areas will be identified by milepost based on continuing consultation with these agencies.

D. Additional Temporary Workspace

In areas where site-specific construction activities, such as road crossings, railroad crossings, waterbody crossings and rugged topography, are required additional temporary work space will be necessary for spoil and equipment storage purposes. These areas are described in Appendix 1G of the Exhibit F-I Environmental Report and depicted on the alignment drawings.

E. Conclusion

When all the above factors are considered, and particularly those factors specific to a 42-inch pipeline being built on this terrain for this Project, Rockies Express believes that a right of way of 125 feet wide is justified. In addition, Rockies Express requests a 100-foot right of way for all wetlands and an additional 35 feet of right of way in agricultural areas where Rockies Express is engaging in full topsoil segregation. The cost, inefficiency and safety concerns related to attempting to construct the overall Project on a smaller right of way, with only variances available for specified areas, is impractical. Accordingly, Rockies Express requests that the Commission grant Rockies Express a 125-foot right of way in which to construct its pipeline, an additional 35-foot right of way for full topsoil segregation and a 100-foot right of way for all wetlands.

XI. COMPLIANCE WITH THE COMMISSION'S CONSTRUCTION POLICY STATEMENT

On September 15, 1999, the Commission issued a Policy Statement to provide guidance regarding the evaluation of applications to certificate new construction.⁵⁸ The Construction Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. In deciding whether to authorize the construction of major new pipeline facilities, the Commission, under the Construction Policy Statement, will balance the public benefits created by the proposed project against the potentially adverse consequences that could result from the project. Pursuant to this balancing process, the Commission has stated that its goal is to give appropriate consideration to

⁵⁸ Supra, n. 14.

the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.⁵⁹

Pursuant to the Construction Policy Statement, the threshold requirement for a pipeline proposing a new project is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. Once the no-subsidization requirement has been demonstrated, the next inquiry under the Commission's Construction Policy Statement is to determine whether the applicant has made efforts to eliminate or minimize any adverse effect the project might have on (1) the applicant's existing customers, (2) existing pipelines in the market and their captive customers, or (3) landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against these residual adverse effects. The Commission has stated that this is essentially an economic test.⁶⁰ Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

As set forth below, the Project meets the threshold requirement and the additional tests set forth in the Construction Policy Statement.

⁵⁹ See Dominion Transmission, Inc., 104 FERC ¶ 61,267, reh'g denied, 105 FERC ¶ 61,350 (2003).

⁶⁰ See Construction Policy Statement, 88 FERC ¶ 61,227, at p. 61,745.

1. No Subsidization by Existing Shippers

Under the Construction Policy Statement, the threshold requirement for certification of major new facilities is a finding that the applicant will financially support the project without relying on subsidization from its existing shippers.⁶¹ This requirement is met by this application. As shown in Exhibit N, the cost of the construction of the 638 miles of new pipeline facilities and compression east from the terminus of REX-West (*i.e.*, the facilities that will make up the entirety of Zone 3 of the Rockies Express pipeline system) are assigned to shippers on REX-East. Most of the REX-East/Zone 3 shippers are the same shippers on the Rockies Express Certificated Facilities. These shippers have independently signed contracts in an open season that support rates and deliveries to points in Zone 3. Finally, as set forth in Exhibit N, the recourse rates developed for Zone 3 are derived from the costs of the Zone 3 facilities. Thus, shippers in Zone 3 pay only Zone 3 facility costs, as applicable.

The Project costs associated with additional compression in Zones 1 and 2 enhances the transportation options of the shippers in those zones. As a result of the new capacity added, the incremental costs of the added compression facilities are less than the revenues generated on new contract quantities. Accordingly, existing shippers on the Rockies Express Certificated Facilities will not subsidize the roll-in of those facilities in future ratemaking proceedings. Accordingly, no subsidies from Zones 1 or 2 shippers will result. REX-East, therefore, meets the threshold requirements of the Commission's Construction Policy Statement.

⁶¹ Williston Basin Interstate Pipeline Co., 103 FERC ¶ 61,269 at P 21 (2003).

2. Effect of the Project on Other Constituent Groups

A. Existing Shippers

Rockies Express currently has one primary existing shipper on its facilities that have been completed and are operating. Upon completion of REX-West, Rockies Express will have twelve "existing shippers." All of these shippers also will be shippers on REX-East. The REX-East pipeline, when completed, will provide new transportation and market opportunities for all the existing shippers on the Rockies Express system, as shown by the shippers' willingness to commit to extend their transportation paths from deliveries on REX-West to new markets and deliveries on REX-East. Accordingly REX-East will have no adverse effect on existing shippers.

B. Other Pipelines in the Market and Their Customers

Rockies Express believes that there are no adverse impacts on existing pipelines in the market and their captive customers. From a design standpoint, REX-East is designed to complement and enhance the existing interstate and intrastate pipeline infrastructure across the Midwest and eastern United States. Specifically, REX-East, as proposed, will have 20 interconnects with pipelines and local distribution companies (LDCs). The interconnecting pipelines and LDCs and their customers will gain access to large amounts of newly developed, competitive gas reserves from the west. The introduction of new competitive supplies will serve to moderate the price of gas while, at the same time, offering supply flexibility to consumers. Accordingly, Rockies Express believes that even if there were potentially adverse effects on other pipelines or their captive customers, these would be

outweighed by the availability of new Rocky Mountain gas supplies for diversity and reliability, as well as competition in price among accessible supply sources.⁶²

C. Private Landowners

The majority of the Project route will parallel existing utility corridor right-of-way. Also, as noted above, Rockies Express has participated in the pre-filing process and worked diligently to make information readily available and to listen to landowner questions and concerns. Rockies Express also has worked with landowners to address their concerns and made design changes to the extent feasible. Rockies Express will seek to acquire necessary right-of-way by negotiation where possible and to minimize reliance on eminent domain. Accordingly, Rockies Express believes its facilities and its outreach efforts have been designed in a manner to maximize information and education and to minimize the impact on landowners and the environment.

3. Benefits Analysis

As noted above, under the Construction Policy Statement, the Commission will evaluate a proposed project by balancing the evidence of public benefits to be achieved against the residual adverse effects. REX-East meets this test.

The public benefits of this Project are discussed throughout this application, including the benefits of a larger, more competitive supply pool for customers, the extension and expansion of new base infrastructure to transport gas out of the Rockies, and support for the greater use of clean-burning natural gas for the environment. The enthusiastic support by Rockies Express's shippers attests to the need for this capacity. Indeed, the Commission itself has noted the limited transport

⁶² The Commission has recognized that it need not protect competitors from competition. Instead the goal is to ensure fair competition. Construction Policy Statement, 88 FERC ¶ 61,227 at p. 61,748.

capacity out of the Rocky Mountain producing area. When the benefits are considered, it is clear that they far outweigh any potentially adverse impact from the proposal. The Commission, therefore, should find that the Project meets the requirements of the Construction Policy Statement and should be approved.

XII. PUBLIC CONVENIENCE AND NECESSITY

The REX-East facilities that are proposed here represent the culmination of an extraordinary joint effort by producers and Rockies Express to construct new facilities -- complementing existing facilities -- to provide consumers with access to new, competitive supplies of gas from the Rocky Mountains. The addition of this third, significant segment of pipeline infrastructure to the Rockies Express pipeline system allows consumers in the east and across the heartland of the United States to reap the benefits of this effort.⁶³ Specifically, the REX-East Project completes the link of Rocky Mountain supply directly to major natural gas consuming markets in the States of Illinois, Indiana and Ohio. According to the Energy Information Administration's most recent State Energy Profiles, these states represent 11.5% of all U.S. natural gas consumption.⁶⁴ Natural gas demand may increase further with Illinois, a leading state in the production of ethanol from corn and natural gas, and with Indiana and Ohio currently generating most of their power needs from coal. These are clearly the fundamental drivers for shippers who have overwhelmingly chosen to extend their transportation paths from Audrain County, Missouri to Clarington, Ohio. The importance of the REX-East Project in completing the link

⁶³ As shown by the number of proposed REX-East delivery points to interstate pipelines and LDCs, all sectors of the consumer group's benefit from the Project.

⁶⁴ These four states account for 21.11% of U.S. natural gas residential use, 16.29% of U.S. natural gas commercial use, and 13.1% of U.S. natural gas industrial use. Energy Info. Admin, Dept. of Energy, State Energy Profiles, <http://tonto.eia.doe.gov/state>, and Share of Total U.S. Natural Gas Delivered to Consumers, http://tonto.eia.doe.gov/dnav/ng/ng_phs_dcu_nus_a.htm (last visited April 27, 2007).

between Rocky Mountain supply markets and major natural gas demand markets is clear; consumers will realize greater reliability of supply, more price competition, and the increased ability to utilize a clean-burning source of energy.

Construction of REX-East is consistent with Commission policy. In its 2006 State of the Markets Report, the Commission notes that pipeline take-away capacity in the Rocky Mountains supply basins has not kept pace with production, to the extent that even a small pipeline outage can lead to severe price volatility in the area.⁶⁵ The report acknowledges that market participants such as Rockies Express are responding to the need for more capacity in the area with "incremental pipeline projects in various stages of development."⁶⁶ The benefits of this Project, therefore, satisfy the heart of the Commission's inquiry into the public convenience and necessity, particularly where Rockies Express has sought, in every respect, to minimize its disturbance of the environment. The Project, accordingly, should be approved.

The Rockies Express pipeline benefits producers in the Rocky Mountain region. With this third installment of the Rockies Express pipeline system, nearly two trillion cubic feet of Rocky Mountain gas that was stranded or traded at hubs with limited access to Midwestern and Eastern markets now will have access to 20 delivery points and markets in Illinois, Indiana and Ohio. Moreover, consumers across the nation will benefit from access to new, reliable, long-lived and prolific supplies of domestic natural gas.

⁶⁵ Federal Energy Regulatory Commission, 2006 State of the Markets Report at 26.

⁶⁶ *Id.* at 27. See also Inside FERC, New Rockies Express Pipeline Segment Has Immediate Impact on Eastbound Gas Flows, Feb. 26, 2007 at 14 ("Market Players have pinned high hopes on REX as the answer for devalued Rocky Mountain gas supply, and development holds the potential for the biggest impact on North America gas markets in the next several years")

The ramp-up of the existing facilities of Rockies Express from 1,500,000 Dth/day to 1,800,000 Dth/day, and the ability to deliver that gas to more eastern markets will have positive effects on the entire U.S. gas market. Specifically, consumers and shippers will have a larger supply portfolio from which to purchase gas and more transportation options. With the construction of REX-East, for instance, 20 interconnects with pipelines and LDCs will provide customers access to competitive Rocky Mountain gas. Moreover, expanding the existing facilities of Rockies Express reduces the nation's dependence on supplies originating from the deep water Gulf of Mexico and or from imports of liquefied natural gas being brought into Gulf Coast terminals, both of which are subject to weather and other contingencies.

States and communities along the proposed REX-East route stand to benefit economically from the Project. The expected increased production in the Rocky Mountain area will result in state and local governments in Wyoming and Colorado seeing increased revenues from royalty payments and ad valorem taxes. Furthermore, 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 REX-East, will benefit communities in Wyoming, Colorado, Nebraska, Kansas, Missouri, Illinois, Indiana and Ohio. The availability of new supplies of natural gas and pipeline infrastructure to transport it underpin economic development in the heavily industrial states of Illinois, Indiana and Ohio.

The proposed REX-East facilities have been designed, and will be constructed and operated, in a manner that will seek to minimize environmental impacts. The majority of the new facilities proposed to be constructed will parallel existing utility corridor right-of-way. Rockies Express has worked diligently during the pre-filing process to address environmental issues and community concerns. The Environmental Report, submitted as Exhibit F-I to this application, demonstrates that Rockies Express has addressed, and taken measures to minimize, any adverse environmental impacts from the Project.

The expansion of Rockies Express' facilities also correlates with increased environmental concerns about global warming. Natural gas contains the least amount of carbon, per unit of energy, of any fossil fuel.⁶⁷ As a source of energy, therefore, natural gas is recognized by the environmental community as a preferred source among fossil fuels.⁶⁸ The expansion proposed by this application will help to maximize the use of natural gas consistent with environmental priorities for both criteria air pollutants and climate change.

Accordingly, when the benefits from REX-East to U.S. gas consumers, producers and shippers are all considered, along with the effort to minimize the Project's impact on the environment, Rockies Express submits that the Project is required by the present and future public convenience and necessity and that the instant application should be approved within the timetable proposed.

⁶⁷ Office of Integrated Analysis and Forecasting, Energy Info. Admin., U.S. Dept. of Energy, Publ'n No. DOE/EIA-0638 (2004) Documentation for Emissions of Greenhouse Gases in the United States 2004 Table 6-1, pg. 187 (Dec. 2006), *available at* [www.eia.doe.gov/oiaf/1605/ggrpt/documentation/pdf/0638\(2004\).pdf](http://www.eia.doe.gov/oiaf/1605/ggrpt/documentation/pdf/0638(2004).pdf).

⁶⁸ See Natural Resources Defense Council, A Responsible Energy Plan for America 17 (Apr. 2005), *available at*: <http://www.nrdc.org/air/energy/rep/rep.pdf>; Environmental Defense, Green Power: The Basics, <http://www.environmentaldefense.org/article.cfm?contentid=5350>.

XIII. ENERGY EFFICIENCY

Rockies Express is aware of the Commission's continued interest in considering the potential for energy efficiency in connection with major pipeline infrastructure projects.

As it did for REX-West, Rockies Express has designed the REX-East facilities to enhance operational efficiencies. Rockies Express will utilize internal pipe coating to optimize fuel consumption and will use compressor units that were selected for overall efficiency and to meet applicable air and noise requirements. As on REX-West, Rockies Express is installing electric drive turbines, gas driven reciprocals and gas driven turbines, the latter being the units that offer the opportunity for heat recovery. Rockies Express will rely on state of the art measuring equipment and will employ a rigorous maintenance schedule to maintain pipeline efficiency.

Rockies Express has also continued to explore the commercial potential for waste heat recovery on its system. In its order of April 19, 2007, in the REX-West proceeding, the Commission stated that it would like to know the results of these efforts and also directed Rockies Express to file annual information on what it learns during its first three years of service. Rockies Express will respond to the Commission's request for updated information on REX-West and is in the process of compiling information to be provided in the very near future. That filing will include a discussion of the potential for waste heat recovery on REX-East as well.

XIV. WAIVER

Pursuant to Rules 801 and 802 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.801 and 385.802 (2006), Rockies Express requests that

the Commission's shortened procedures be applied to this application. Accordingly, Rockies Express requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission. As set forth under these procedures, the decision of the Commission will be final, yet subject to reconsideration by the Commission upon request for rehearing, as provided by statute.

XV. EXHIBITS

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

Exhibit A – Articles of Incorporation and Bylaws

Rockies Express requests the incorporation by reference of Exhibit A to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit B – State Authorization

Rockies Express requests the incorporation by reference of Exhibit B to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit C – Company Officials

Attached as part of this Volume 1.

Exhibit D – Subsidiaries and Affiliation

Attached as part of this Volume 1.

Exhibit E – Other Pending Applications and Filings

There are no applications or filings made by Rockies Express with and now pending before this Commission that directly and significantly affects this application. This exhibit is therefore omitted.

Exhibit F – Location of Facilities

Attached as part of this Volume 1.

Exhibit F-I – Environmental Report

Attached as Volumes 2, 3, 4 and 6.

Exhibit G/G-I – Flow Diagrams

Attached as part of Volume 5.

Exhibit G-II – Flow Diagram Data

Attached as part of Volume 5.

Exhibit H – Total Gas Supply Data

Rockies Express requests the incorporation by reference of Exhibit H to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit I – Market Data

Rockies Express requests the incorporation by reference of Exhibit I to its application filed May 31, 2006, as supplemented on July 28, 2006, at Docket No. CP06-354-000, and as supplemented coincident with this filing.

Exhibit J – Federal Authorization

Attached hereto as part of this Volume 1.

Exhibit K – Cost of Facilities

Attached hereto as part of this Volume 1.

Exhibit L – Financing

Attached hereto as part of this Volume 1.

Exhibit M – Construction, Operation and Management

Rockies Express requests the incorporation by reference of Exhibit M to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit N – Revenues-Expenses-Income

Attached hereto as part of this Volume 1.

Exhibit O – Depreciation and Depletion

Attached hereto as part of this Volume 1.

Exhibit P – Tariff

Attached hereto as part of this Volume 1 are (i) schedules and work papers supporting the maximum recourse rates for Zone 3 and initial FL&U rates for Zones 1, 2 and 3; and (ii) the *pro forma* tariff sheets to effectuate the new proposed Zone 3 rates. Not less than 30 days and not more than 60 days prior to the commencement of service of the facilities proposed herein, Rockies Express will file the attached *pro forma* tariff sheets for inclusion in Rockies Express' Second Revised Volume No. 1 Tariff. .

**XVI.
FEDERAL REGISTER NOTICE**

Appended hereto is a notice, prepared in conformity with Sections 2.1 and 157.6(b)(7) of the Commission's Regulations, 18 C.F.R. §§ 2.1 and 157.6(b)(7) (2006), suitable for publication in the Federal Register.

**XVII.
CONCLUSION**

WHEREFORE, Rockies Express Pipeline LLC, respectfully requests a certificate of public convenience and necessity, pursuant to Section 7(c) of the NGA, to construct and operate the Project as described herein.

Respectfully submitted,

ROCKIES EXPRESS PIPELINE LLC

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Dated: April 30, 2007

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Rockies Express Pipeline LLC)

Docket No. CP07-__-000

**Application of Rockies Express Pipeline LLC for a
Certificate of Public Convenience and Necessity**

Pursuant to Section 7(c) of the Natural Gas Act ("NGA"), 15 U.S.C. § 717f(c) (2000), and Part 157 of the Rules and Regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 157.1, et seq. (2006), Rockies Express Pipeline LLC ("Rockies Express"),¹ hereby requests a certificate of public convenience and necessity authorizing Rockies Express to construct and operate approximately 638 miles of new natural gas transmission and related facilities (referred to in this application as "REX-East" or "Project"). The proposed facilities will expand sections of the previously certificated facilities of Rockies Express and will extend those facilities to the east, from Audrain County, Missouri to Clarington, Ohio. The Project will provide additional new, market-driven pipeline infrastructure that further links supplies of natural gas in the Rocky Mountain supply basin to major markets in the upper Midwest and eastern United States, to the benefit of both consumers and producers of natural gas. The new pipeline facilities will have a capacity of 1,800,000 Dth/day.²

¹ Rockies Express Pipeline LLC is a limited liability company wholly-owned by West2East Pipeline LLC. West2East Pipeline LLC is a limited liability company owned 51% by a subsidiary of Kinder Morgan Energy Partners, L.P., 25% by a subsidiary of Semptra Energy and 24% by a subsidiary of ConocoPhillips Company ("ConocoPhillips").

² This filing is comprised of six volumes: Volumes 1 and 2 contain public information; Volume 3 contains non-internet public information; Volumes 4 and 5 contain Critical Energy Infrastructure Information ("CEII") and are not to be released to the general public; and Volume 6 contains privileged information. Concurrently herewith, Rockies Express is filing a letter requesting, pursuant to Section 388.112 of the Commission's Rules and Regulations, 18 C.F.R. § 388.112 (2006), confidential treatment of Volume 6.

This application relies upon the substantive approvals previously granted by the Commission for the Rockies Express pipeline system. On September 21, 2006, the Commission issued a Preliminary Determination for the REX-West Project.³ The Commission recognized that REX-West was the first of two projects (i.e., REX-West and REX-East) to complete a transportation system from the Rocky Mountain supply basins to markets in the east. In the Preliminary Determination, the Commission approved the critical economic issues related to the open season, the precedent agreements and the interaction of the two projects. After extensive environmental review (including the issuance of a Final Environmental Impact Statement on the REX-West Project on March 16, 2007), the Commission issued a certificate of public convenience and necessity for the REX-West Project on April 19, 2007.

By this application, Rockies Express, consistent with the previous approvals of the Commission, requests authority to construct and operate a further eastern extension and expansion of its system. The shippers on REX-East, with minor exceptions, also hold firm transportation capacity on REX-West, although these overlapping shippers remain subject to independent contractual commitments to each project. The basic economic structure of the REX-East Project is the same as the economic structure that was approved by the Commission in its preliminary determination and final certificate, including the core contractual and tariff provisions. Specifically, the transportation contracts that underpin both projects and the establishment of three tiers of shippers in the Rockies Express tariff -- all of which were approved by the Commission in the Preliminary Determination and in its certificate order for REX-West -- provide the basis for REX-East to be a

³ Rockies Express Pipeline LLC, 116 FERC ¶ 61,272 (2006) ("REX-West PD").

commercially viable project and to provide benefits to gas consumers across the country.

Rockies Express proposes to create a new, separate rate zone ("Zone 3") for transportation services through the REX-East facilities. The new rate zone will include the capital costs and associated cost of service for facilities constructed from the terminus of REX-West in Audrain County, Missouri to the proposed terminus of REX-East at Clarington, Ohio. The REX-East expansion project also includes the construction of new compression in Zones 1 and 2 of the Rockies Express pipeline system in order to power up the pipeline system east of Wamsutter, Wyoming to be able to transport up to 1,800,000 Dth/day of natural gas. As part of this application, Rockies Express requests a determination of rolled-in rate treatment for the costs of the new compressor facilities that will be constructed in Zones 1 and 2 in any future rate proceedings. No change to the recourse rates for these rate zones (Zones 1 and 2) is proposed at this time.

Rockies Express, in conjunction with its producers/shippers, seeks to place the full length of the project to Clarington, Ohio in service no later than December 30, 2008. That in-service date corresponds to the time frame when new Rocky Mountain gas supplies are anticipated to be produced and ready to connect to Rockies Express. On December 30, 2008, Rockies Express anticipates that the initial transportation capacity of REX-East will be 1,600,000 Dth/day. This in-service date will also permit initial deliveries of gas to meet consumer demand for the 2008/2009 winter heating season.

Rockies Express will coordinate its construction in an effort to commence initial service on REX-East in phases with the initial phase commencing service to

delivery points located near Lebanon, in Warren County, Ohio ("Lebanon Hub"). The subsequent phase would include the facilities west of the Lebanon Hub eastward to delivery points located near Clarington, in Monroe County, Ohio ("Clarington Hub"). Rockies Express will request authorization to commence service in phases and, when ready for service, to delivery points in an easterly direction to the Lebanon area and concluding in the Clarington area.

After initial in-service for REX-East, Rockies Express will continue construction of the compression facilities to be certificated in this proceeding to bring the pipeline up to the full design capacity of 1,800,000 Dth/day by June 30, 2009.

The participants in the Project have developed their drilling plans, structured their commercial agreements and made significant investments, including the purchase of pipe and compressors, based on the expectation of a December 30, 2008, in-service date with follow-on phased construction of the compression facilities needed to get to full design. To meet that in-service date, with adequate lead time for construction and testing, a certificate is required by February 1, 2008.

Rockies Express is aware that this is an ambitious schedule and that the Commission cannot act without a complete record. Rockies Express has endeavored throughout the prefiling process to provide necessary data, as available, on a timely basis and to maintain consistent quality. Rockies Express notes its appreciation for the attention and diligence of the Commission, its Staff and contractors during the prefiling process. Rockies Express has also worked diligently throughout the months of public participation to understand public comments and concerns and to be engaged in early resolution wherever possible. Rockies Express affirms its commitment to devote the resources required to permit the Commission to build its

evidentiary record in a timely and complete manner. Rockies Express also affirms its commitment to remain engaged with, and respond to, public comment and suggestions from federal, state and local governmental officials as well as individual citizens and, most certainly, landowners to be affected by the pipeline construction, route and operation.

**I.
SCOPE OF APPLICATION AND REQUESTED AUTHORIZATION**

By this application, therefore, Rockies Express requests two central authorizations:

1. Authority to construct and operate 638 miles of natural gas pipeline facilities, including five compressor stations and points of interconnection, eastward from the terminus of the certificated REX-West facilities in Audrain County, Missouri to an end point at Clarington, Ohio and to establish a new, separate rate zone (Zone 3) on the Rockies Express pipeline system for service through these facilities; and
2. Authority to construct and operate two compressor stations, one in Zone 1 and one in Zone 2, to power up the certificated Rockies Express pipeline system to transport 1,800,000 Dth/day, and a declaration approving the roll-in of the costs of these facilities to the rates for service within these two respective rate zones in any future rate proceeding.

The timeline for completion of the entire Rockies Express pipeline system is as follows:

Rockies Express Pipeline System Capacity Completion Timeline
Table 1

<u>Project</u>	<u>Capacity (MDth/d)</u>	<u>Completion Date</u>
REX/Entrega Project (CP04-413-000):		
Phase 1		
Segment 1 (Meeker to Wamsutter)	750	Completed In Service
Segment 2 (Wamsutter to Cheyenne)	750	Completed In Service
Phase 2		
Meeker Compression (Segment 1)	1,100	12/31/07
Big Hole Compression (Segment 1)	1,500	06/30/09*
Wamsutter Compression (Segment 2)	1,500	12/31/07
REX-West Project (CP06-354-000):		
Cheyenne to Audrain County, MO	1,500	12/31/07
Meeker Hub Facilities	475	12/31/07
Cheyenne Hub Facilities	28	12/31/07
REX-East Project (CP07-___-000):		
Initial Transport (Audrain County East)	1,600	12/30/08
Full Power Up:		
Audrain to Clarington	1,800	06/30/09
Zone 1 (Arlington CS)	1,800	06/30/09
Zone 2 (Bertrand CS)	1,800	06/30/09

*See order approving certificate amendment for the Entrega Project: Rockies Express Pipeline LLC, 116 FERC ¶ 62,151 (2006).

The shipper commitments for these projects following the proposed in-service dates of REX-West are set forth in the table below.

Rockies Express Pipeline System Contract Commitments*
(Dth/day)
Table 2

Shipper	Term (years)	Zone 1 (Wamsutter to Cheyenne) and Zone 2 (Cheyenne to Audrain)			(Zone 3)	
		Allocated Volumes** (1/1/08 thru 12/29/08)	Contract Volumes (12/30/08 thru 6/29/09)	Contract Volumes as of 6/30/09	Contract Volumes (12/30/08 thru 6/29/09)	Contract Volumes as of 6/30/09
Foundation Shipper:						
EnCana Marketing (USA) Inc.	10	436,000	500,000	500,000	500,000	500,000
Anchor Shippers:						
ConocoPhillips Company	10	400,000	400,000	400,000	400,000	400,000
Sempra Rockies Marketing, LLC	10	174,000	200,000	200,000	200,000	200,000
Ultra Resources, Inc.	10	200,000	200,000	200,000	200,000	200,000
BP Energy Company	10	100,000	100,000	300,000	100,000	300,000
Standard Shippers:						
Yates Petroleum Corporation	10	13,000	15,000	15,000	15,000	15,000
Coral Energy Resources L.P./ Yates Petroleum Corporation***	10	24,000	28,000	28,000	28,000	28,000
U.S. Minerals Management Service	10	50,000	50,000	50,000	50,000	50,000
Bill Barrett Company	10	25,000	25,000	25,000	25,000	25,000
EOG Resources, Inc.	10	50,000	50,000	50,000	50,000	50,000
Berry Petroleum Company	10	10,000	10,000	10,000	10,000	10,000
Arrowhead Resources (U.S.A.) Ltd.	10	10,000	10,000	10,000	10,000	10,000
SUBTOTAL		1,492,000	1,588,000	1,788,000	1,588,000	1,788,000
Unsubscribed		8,000	12,000	12,000	12,000	12,000
TOTAL		1,500,000	1,600,000	1,800,000	1,600,000	1,800,000

* The Contracted Volumes reflect commitments made during the Open Season and under precedent agreements entered into after the end of the open season.

** Four shippers agreed to voluntarily reduce the maximum daily quantity under their respective contracts for the period of service associated with REX-West. These reductions (from a total of 1,600,000 Dth/day to 1,500,000 Dth/day) phase out as the capacity on the Rockies Express pipeline system increases to its full capacity of 1,800,000 Dth/day.

*** Coral Energy Resources L.P. has contracted for 28,000 Dth/day in Zone 1 (REX/Entrega) from the Opal Hub to the Cheyenne Hub. Yates Petroleum Corporation has contracted for 28,000 Dth/day in Zone 2 and Zone 3 from the Cheyenne Hub east across REX-West and REX-East. Taken together, this contracted capacity forms a long-haul path across the Rockies Express pipeline system.

II. OVERVIEW

With the increase in reliable long-lived production of natural gas in the Rocky Mountains, Rockies Express, together with producers, have sought to build the infrastructure necessary to safely and economically transport this clean-burning energy source to the areas of the country that demand it the most. The attainment of

this goal is manifested in three separate pipeline projects, each supported by long-term transportation contracts that independently support each project.

The first of the three pipeline projects provides the base infrastructure to transport gas out of supply basins located in Colorado and Wyoming to the Cheyenne Hub. That project, known as the "REX/Entrega Project" or "REX/Entrega," was filed in Docket Nos. CP04-413-000 et al., by Entrega Gas Pipeline Inc.⁴ and received an NGA Section 7(c) certificate from the Commission on August 9, 2005.⁵ REX/Entrega is being constructed in two phases and Phase I is in service. The REX/Entrega Project Phase I facilities extend northward from the Meeker Hub, located at the northern end of TransColorado Gas Transmission Company's ("TransColorado") system in Colorado, to the Wamsutter Hub located in Wamsutter, Wyoming (Segment 1), and then eastward to the Cheyenne Hub located in Weld County, Colorado (Segment 2). Phase 1, Segment 1 was completed and went into service on February 24, 2006. Following a merger,⁶ Rockies Express completed construction of Phase I, Segment 2 and it went into service on February 14, 2007 with an initial capacity of 750,000 Dth per day. For REX/Entrega Phase II, Rockies Express is authorized to construct three compressor stations referred to as the Meeker, Big Hole and Wamsutter Compressor Stations to expand the capacity to 1,500,000

⁴ On November 7, 2005, Entrega Gas Pipeline Inc., a Delaware corporation (the name under which the original application was filed), filed a certificate of conversion with the Office of the Secretary of State of the State of Delaware to convert "Entrega Gas Pipeline Inc." to a Delaware limited liability company, "Entrega Gas Pipeline LLC." On November 8, 2005, Entrega Gas Pipeline LLC filed a notification of the change with the Commission.

⁵ Entrega Gas Pipeline Inc., 112 FERC ¶ 61,177, order on reh'g, 113 FERC ¶ 61,327 (2005).

⁶ On February 23, 2006, Rockies Express acquired 100% of the membership interests in Entrega from Alenco Pipelines Inc., resulting in Entrega becoming a wholly-owned subsidiary of Rockies Express Pipeline LLC. Rockies Express Pipeline LLC was merged into Entrega, effective April 11, 2006. Pursuant to the merger agreement, Entrega Gas Pipeline LLC continued to exist after the merger under the name "Rockies Express Pipeline LLC." Thereafter, on April 14, 2006, as amended on April 20, 2006, Rockies Express filed, and the Commission accepted, its entire First Revised Volume No. 1, superseding Original Volume No. 1, of the FERC Gas Tariff that reflects on each sheet the change in name and issuing officer for the pipeline formerly known as Entrega that now is known as Rockies Express Pipeline LLC.

Dth per day.⁷ REX/Entrega is independently supported by long-term natural gas transportation contracts to deliver gas to the Cheyenne Hub. The 327-mile REX/Entrega system represents Zone 1 of the Rockies Express pipeline system.

Building upon the base infrastructure provided by the REX/Entrega Project, Rockies Express filed for NGA Section 7 authority to construct the "REX-West Project," a 713-mile, 42-inch pipeline and related facilities that will commence from the end point of the REX/Entrega Project eastward, to an interconnect with Panhandle Eastern Pipe Line Company ("PEPL") in Audrain County, Missouri. The REX-West Project will have the capacity to transport 1,500,000 Dth/day to PEPL. The REX-West Project will interconnect with four interstate pipelines (Kinder Morgan Interstate Gas Transmission LLC, Natural Gas Pipeline Company of America, Northern Natural Gas Company, and ANR Pipeline Company) before reaching its terminus in Audrain County where the pipeline will interconnect with PEPL. REX-West has received an NGA Section 7(c) certificate from the Commission and is scheduled to be completed and in-service by January 1, 2008.⁸ As set forth in the REX-West application, shippers on REX-West will utilize the transportation capacity of the facilities of TransColorado (for which TransColorado received an NGA Section 7(c) certificate in Docket No. CP06-401-000), the REX/Entrega pipeline and the capacity of Questar Overthrust Pipeline Company's ("Overthrust") facilities (for which Overthrust received an NGA Section 7(c) certificate by the Commission in

⁷ The Meeker and Wamsutter Compressor Stations are currently planned to be completed by the fourth quarter of 2007. As to the Big Hole Compressor Station, Rockies Express plans to commence construction of this station during the 4th quarter of 2008 in order to meet an in-service date of June 2009.

⁸ Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007).

Docket No. CP06-423-000)⁹ to source gas to be delivered to the multiple interconnects along the pipeline route and to PEPL in Audrain County. The REX-West Project facilities constructed from the terminus at the Cheyenne Hub to Audrain County constitute Zone 2 of the Rockies Express pipeline system.

The recently certificated REX-West Project will provide the pipeline infrastructure to transport increased quantities of Rocky Mountain gas supplies either directly or indirectly from the major Rocky Mountain production basins, including the Greater Green River, Powder River, Uinta-Piceance, Jonah-Pinedale, Denver-Julesburg, Wind River, Big Horn and San Juan Basins located in the States of Wyoming, Colorado and Utah eastward to connections with major gas consuming markets in the United States. In the instant application, Rockies Express proposes to extend and expand its pipeline facilities even further to the east, thereby attaching new markets and bringing greater supply sources and competition to benefit gas consumers in the Midwest and east. Specifically, REX-East will expand the capacity of Zone 1 of the Rockies Express pipeline system from Wamsutter to the Cheyenne Hub and REX-West to 1,800,000 Dth/day and extend the combined Rockies Express pipeline facilities (*i.e.*, REX/Entrega and REX-West, together, "the Rockies Express Certificated Facilities") 638 miles further to the east to Clarington, Ohio. REX-East, like REX-West, is independently supported by long-term gas transportation agreements for firm transportation service, but shares fundamentally the same

⁹ Overthrust has entered into a Natural Gas Transportation Capacity Lease Agreement with Rockies Express, dated February 15, 2006 (the "Capacity Lease"). The Capacity Lease provides that Rockies Express will acquire from Overthrust, through a long-term capacity lease, firm transportation capacity of 625,000 Dth/day with the right under certain conditions to increase the leased firm transportation capacity up to 1,500,000 Dth/day from the Opal Hub to the Wamsutter Hub. The Capacity Lease will extend the Rockies Express Certificated Facilities approximately 140 miles to the west, from the Wamsutter Hub to the Opal Hub. On April 19, 2007, Overthrust received an NGA Section 7(c) certificated to expand its facilities. Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007). The approval of the lease was granted by the Commission in its Preliminary Determination of this application. See REX-West PD.

producer/shipper base. Facilities constructed from Audrain County, Missouri to Clarington, Ohio will comprise Zone 3 of the proposed Rockies Express pipeline system.

The Preliminary Determination and certificate order for REX-West provide the core contractual, rate and tariff structures relied upon by the participants in the REX-East Project to make the next massive capital investment necessary to expand and extend the Rockies Express pipeline system. Specifically, in the Preliminary Determination issued for the REX-West Project, the Commission approved the open season that was held for the two projects comprising the transportation capacity for delivery of natural gas supplies to Zones 2 and 3 of the Rockies Express pipeline system.¹⁰ In that open season, shippers were provided incentives to make large, long-term firm transportation commitments through the establishment of three classes of shippers: "Foundation Shippers," "Anchor Shippers," and "Standard Shippers."¹¹ As a result of the open season, nearly the entire 1,800,000 Dth/day of REX-East capacity is subscribed.

REX-East, therefore, builds upon, and extends, the shipper agreements and commitments made for the REX-West Project. Specifically, in the open season held for REX-West, shippers had the ability and incentive to commit to capacity on REX-East as well as on REX-West. Essentially, all of the shippers on the REX-West Project are shippers on REX-East.¹² Like REX-West, REX-East is primarily a producer-driven pipeline project in which producers – combining existing production with new production in the Rocky Mountain region – have made long-term

¹⁰ REX-West PD at P 71.

¹¹ In the open season materials, these Standard Shippers were referred to as "non-anchor" shippers. Pursuant to the terms of the open season, if the REX-East Project does not proceed, the shippers' commitments to REX-West remain.

¹² As noted in Table 2 of this application, Coral Energy Resources L.P. only has capacity in Zone 1.

contractual commitments to REX-East for transportation capacity necessary to move the prolific Rocky Mountain natural gas supplies to Midwestern and eastern markets. Sponsors of Rockies Express, in turn, have placed substantial amounts of capital at risk in response to the commitments made by the shipper community. As a result of these contractual and capital commitments, as well as the commercial delivery dates, Rockies Express and the producers in the region have been able to create a competitive, market-supported project that definitively addresses the problem that “[p]ipeline capacity from the Rockies has not kept pace with productive capacity.”¹³

The joint effort also benefits consumers. The infusion of new Rocky Mountain gas volumes into the supply pool available to high demand centers in the Midwest and east will make long lived, reliable Rocky Mountain production directly available to consumers, provide increased diversity of supply, create a moderating effect on prices and at the same time, facilitate increased utilization of this clean-burning fuel.

The proposed route of REX-East is intended to minimize effects on the environment. The majority of the pipeline will be located along existing utility corridor rights-of-way. Consistent with the Commission’s prefilings process, Rockies Express has engaged landowners early in the route selection process and has made changes where possible to accommodate landowner concerns. In addition, throughout the future months during Commission consideration of this application and its preparation of the final environmental impact statement Rockies Express will

¹³ Office of Market Oversight and Investigation, 2003 Natural Gas Market Assessment 22 (Winter 2002-03). See also James Tobin, Energy Info. Admin., U.S. Dept. of Energy, Expansion and Change on the U.S. Natural Gas Pipeline Network – 2002 8 (May 2003) (discussion of lack of adequate takeaway capacity in the Rocky Mountain Area).

continue to work with affected landowners as well as federal, state and local authorities.

Rockies Express is committed to providing the Commission timely and complete data so that the Commission is able to complete its consideration and approval of this application by February 1, 2008. Approval of this Project will provide the third, significant section of pipeline infrastructure that is consistent with the needs identified by the Commission in its 2006 State of the Markets Report and will permit new supplies of gas in the Rocky Mountains to serve this country's energy needs in an efficient and environmentally responsible manner.

REX-East is a project that complies with the Commission's Construction Policy Statement,¹⁴ is required by the present and future public convenience and necessity, and should be approved. Strong public policy reasons, therefore, support expedited approval of this Project. The United States must undertake all reasonable efforts to enhance its supplies of domestic, onshore energy resources. Rockies Express respectfully urges the Commission to address this application promptly and grant its approval.

III. COMMUNICATIONS

The name, title, mailing address, telephone, facsimile numbers and email addresses of those persons to whom correspondence and communications concerning this application should be directed are as follows:

¹⁴ Certification of New Interstate Natural Gas Pipeline Facilities, Statement of Policy, 88 FERC ¶ 61,227, modified by, 89 FERC ¶ 61,040 (1999); order clarifying statement of policy, 90 FERC ¶ 61,128; order further clarifying statement of policy, 92 FERC ¶ 61,094 (2000) ("Construction Policy Statement").

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IV. IDENTITY OF APPLICANT

The exact legal name of Applicant is Rockies Express Pipeline LLC. The principal place of business of Rockies Express is at 370 Van Gordon Street, Lakewood, Colorado 80228. Rockies Express is a Delaware limited liability company that is wholly owned by West2East Pipeline LLC ("West2East").

West2East is owned 51% by a subsidiary of Kinder Morgan Energy Partners, L.P. (which will become 50% when construction of the entire project is completed), 25% by a subsidiary of Semptra Energy and 24% by a subsidiary of ConocoPhillips (which will become 25% after the Project is completed). Rockies Express is managed by a Board of Managers that includes Managers of West2East and Alenco Pipelines, Inc. Kinder Morgan NatGas Operator LLC is the operator of the Rockies Express Pipeline.

Rockies Express is a “natural-gas company” as defined by Section 2(6) of the NGA and is subject to the jurisdiction of the Commission. The existing Rockies Express Facilities include the facilities formerly known as Entrega Gas Pipeline LLC (“REX/Entrega”) that currently provide natural gas transportation services within the States of Colorado and Wyoming. The Rockies Express Facilities also include the REX-West Project which, upon completion, will extend the pipeline from the Cheyenne Hub to an interconnect with PEPL in Audrain County, Missouri.

Rockies Express currently transports gas from Meeker to Cheyenne through its jurisdictional interstate pipeline on an open-access, non-discriminatory basis pursuant to jurisdictional transportation rate schedules and general terms and conditions authorized in First Revised Volume No. 1 of its FERC Gas Tariff.

V. DESCRIPTION OF FACILITIES

REX-East, for which Rockies Express is seeking authorization herein, will consist of approximately 638 miles of 42-inch diameter mainline pipeline, with appurtenances, commencing at the terminus of the REX-West Project in Audrain County, Missouri and extending eastward to a terminus near Clarington in Monroe

County, Ohio. A majority of the pipeline (over 50%) will parallel existing utility corridor right-of-way. The pipeline will traverse the following states and counties:

- Missouri: Audrain, Ralls and Pike
- Illinois: Pike, Scott, Morgan, Sangamon, Christian, Macon, Moultrie, Douglas and Edgar
- Indiana: Vermillion, Parke, Putnam, Hendricks, Morgan, Johnson, Shelby, Decatur and Franklin
- Ohio: Butler, Warren, Clinton, Greene, Fayette, Pickaway, Fairfield, Perry, Morgan, Muskingum, Guernsey, Noble, Belmont and Monroe

The majority of the route, approximately 516 miles or 83%, traverses Class 1 (rural and agricultural) areas.

As a result of the facilities proposed to be authorized in this REX-East application, capacity on the Rockies Express Certificated Facilities will ramp up from 1,500,000 Dth/day to 1,800,000 Dth/day from the Wamsutter Hub eastward to, and through, the REX-East facilities to Clarington, Ohio. At the 1,800,000 Dth/day design, mainline pipeline compression totaling approximately 236,000 horsepower will be required. This horsepower will be located at seven new mainline compressor stations; five located in Zone 3 and one compressor station added in each of Zone 1 and Zone 2 of the Rockies Express Certificated Facilities. Specifically, the REX-East expansion and extension would require construction of the following compressor stations:

Compressor Stations to be located on the Rockies Express Certificated Facilities

Arlington Compressor Station in Carbon County, Wyoming (Zone 1)
Bertrand Compressor Station in Phelps County, Nebraska (Zone 2)

Compressor Stations to be located on REX-East (Zone 3)

Mexico Compressor Station in Audrain County, Missouri
Blue Mound Compressor Station in Christian County, Illinois
Bainbridge Compressor Station in Putnam County, Indiana
Hamilton Compressor Station in Butler County, Ohio
Chandlersville Compressor Station in Muskingum County, Ohio

REX-East will have a maximum allowable operating pressure ("MAOP") of 1480 psig, the same MAOP as authorized for the Rockies Express Certificated Facilities. Exhibits G and G-II provide more detailed diagrams of the Rockies Express Certificated Facilities and the REX-East operational characteristics. Rockies Express proposes to install 20 delivery meter stations and associated interconnecting pipeline facilities along the REX-East route. In addition, Rockies Express will install various appurtenant facilities including motor control centers, pig launchers and receivers, approximately 42 mainline valves, regulators, fuel meters, 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 corridor, compressor station sites, and meter station rights-of-way; and, as such, all have been, or will be, covered by the environmental surveys.

Rockies Express requests NGA Section 7(c) authorization to construct and operate the following specific facilities:

Mainline Pipeline Extension:

Approximately 638 miles of 42" O.D. X-80 and X-70 steel pipe ranging from .486 w.t. to .888 w.t., commencing from the point of interconnection with PEPL in Section 2, Township 51 North, Range 8 West, Audrain County, Missouri, extending eastward through Illinois, Indiana and Ohio, terminating in Section 29, Township 3 North, Range 3 West, Monroe County, Ohio.

Mainline Pipeline Compression and Expansion:

1. Arlington Compressor Station – Install at the proposed Arlington Compressor Station site, three 8,180 ISO-rated horsepower compressor units (site rated at 6,598 horsepower each), with related appurtenances, located in Section 19, Township 19 North, Range 78 West, Carbon County, Wyoming.
2. Bertrand Compressor Station – Install at the proposed Bertrand Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,699 horsepower each) and three 8,180 ISO-rated horsepower compressor

units (site rated at 7,604 horsepower each), with related appurtenances, located in Section 23, Township 6 North, Range 20 West, Phelps County, Nebraska.

3. Mexico Compressor Station – Install at the proposed Mexico Compressor Station site, two 20,500 ISO-rated horsepower compressor units (site rated at 15,928 horsepower each), with related appurtenances, located in Section 2, Township 51 North, Range 8 West, Audrain County, Missouri.
4. Blue Mound Compressor Station – Install at the proposed Blue Mound Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,860 horsepower each) and three 8,180 ISO-rated horsepower compressor units (site rated at 7,818 horsepower each), with related appurtenances, located in Section 31, Township 15 North, Range 2 West, Christian County, Illinois.
5. Bainbridge Compressor Station – Install at the proposed Bainbridge Compressor Station site, two 20,500 ISO-rated compressor units (site rated at 15,827 horsepower each), with related appurtenances, located in Section 1, Township 15 North, Range 3 West, Putnam County, Indiana.
6. Hamilton Compressor Station – Install at the proposed Hamilton Compressor Station site, two 17,500 horsepower nameplate electric motor driven compressor units, with related appurtenances, located in Section 19, Township 4 North, Range 2 West, Butler County, Ohio.
7. Chandlersville Compressor Station – Install at the proposed Chandlersville Compressor Station site, two 6,135 ISO-rated horsepower compressor units (site rated at 5,860 horsepower each) and one 8,180 ISO-rated horsepower compressor unit (site rated at 7,818 horsepower), with related appurtenances, located in Section 5, Township 12 North, Range 12 West, Muskingum County, Ohio.

Delivery Meter Stations :

1. NGPL Interconnect Meter Station – Install with Natural Gas Pipeline Company of America an interconnect and measurement facility, with appurtenances, at approximately Milepost 178.6 located on the Project in Section 3, Township 15 North, Range 5 East, Moultrie County, Illinois.
2. Illinois Power Interconnect Meter Station – Install with Illinois Power Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 178.6 located on the Project in Section 3, Township 15 North, Range 5 East, Moultrie County, Illinois.
3. Trunkline Interconnect Meter Station – Install with Trunkline Gas Company an interconnect and measurement facility, with appurtenances, at

approximately Milepost 195.1 located on the Project in Section 5, Township 15 North, Range 8 East, Douglas County, Illinois.

4. MGTC Interconnect Meter Station – Install with Midwestern Gas Transmission Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 231.5 located on the Project in Section 35, Township 15 North, Range 11 West, Edgar County, Illinois.
5. PEPL-2 Interconnect Meter Station – Install with PEPL an interconnect and measurement facility, with appurtenances, at approximately Milepost 274.4 located on the Project in Section 31, Township 16 North, Range 4 West, Putnam County, Indiana.
6. Citizens Interconnect Meter Station – Install with Citizens Gas and Coke Utility an interconnect and measurement facility, with appurtenances, at approximately Milepost 305.5 located on the Project in Section 34, Township 14 North, Range 1 East, Morgan County, Indiana.
7. Indiana Interconnect Meter Station – Install with Indiana Gas Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 316 located on the Project in Sections 26 and 27, Township 13 North, Range 2 West, Johnson County, Indiana.
8. ANR-2 Interconnect Meter Station – Install with ANR Pipeline Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 341.6 located on the Project in Section 7, Township 11 North, Range 9 East, Shelby County, Indiana.
9. Cincinnati Gas Interconnect Meter Station – Install with Cincinnati Gas and Electric an interconnect and measurement facility, with appurtenances, at approximately Milepost 433.8 in the proposed Hamilton Compressor Station site in Section 19, Township 4 North, Range 2 West, Butler County, Ohio.
10. CGT-1 Interconnect Meter Station – Install with Columbia Gas Transmission Corporation an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
11. Dominion-1 Interconnect Meter Station – Install with Dominion Transmission, Inc. an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
12. TETCO-1 Interconnect Meter Station – Install with Texas Eastern Transmission, LP an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.

13. Texas Gas Interconnect Meter Station – Install with Texas Gas Transmission, LLC an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
14. Vectren Interconnect Meter Station – Install with Vectren an interconnect and measurement facility, with appurtenances, at approximately Milepost 442 located on the Project in Section 9, Township 3 North, Range 4 East, Warren County, Ohio.
15. Columbia Gas of Ohio Interconnect Meter Station – Install with Columbia Gas of Ohio an interconnect and measurement facility, with appurtenances, at approximately Milepost 513.4 located on the Project in Section 22, Township 2 North, Range 22 West, Pickaway County, Ohio.
16. CGT-2 Interconnect Meter Station – Install with Columbia Gas Transmission Corporation an interconnect and measurement facility, with appurtenances, at approximately Milepost 538.2 located on the Project in Section 3, Township 15 North, Range 18 West, Fairfield County, Ohio.
17. Tennessee Interconnect Meter Station – Install with Tennessee Gas Pipeline Company an interconnect and measurement facility, with appurtenances, at approximately Milepost 590.9 located on the Project in Section 6, Township 9 North, Range 10 West, Muskingum County, Ohio.
18. Dominion-2 Interconnect Meter Station – Install with Dominion Transmission, Inc. an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.
19. Dominion East Interconnect Meter Station – Install with Dominion East Ohio an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.
20. TETCO-2 Interconnect Meter Station – Install with Texas Eastern Transmission, LP an interconnect and measurement facility, with appurtenances, at approximately Milepost 637.4 located on the Project in Section 33, Township 3 North, Range 3 West, Monroe County, Ohio.

In addition to the facilities described above for which certificate authorization is requested, Rockies Express will construct and operate, under the authority of Section 2.55(a) of the Commission's Regulations, the following ancillary facilities:

1. Motor control center buildings with a small office for personnel at each of the above named compressor stations;

2. Pig launching and receiving equipment;
3. Mainline block valves at 20-mile intervals along the proposed REX-East;
4. Fuel meters; and
5. Auxiliary equipment at each of the meter stations that will include certain electronic flow measurement equipment, chromatographs, valves, buildings, and piping.

The total estimated cost for construction of the Project is \$2,172,953,630, including overhead and contingency. The details of the cost estimates for all of these facilities are submitted as a part of Exhibit K.

VI. MARKET

The open season held by Rockies Express from November 9, 2005 through December 19, 2005,¹⁵ allowed shippers to submit bids for capacity on REX-West and REX-East.¹⁶ As noted in the REX-West application, shippers originally signed precedent agreements for a total of 1,600,000 Dth/day on REX-West. That amount was pro-rated among shippers electing to have their quantity pro-rated to achieve the capacity of REX-West (1,500,000 Dth/day).¹⁷ Rockies Express also was able to obtain capacity commitments from shippers interested in transporting gas on REX-

¹⁵ During this open season period, Rockies Express issued nine informational postings which provided details of the open season parameters. Also, from August 17, 2005, through February 28, 2006, nine press releases were issued to the media and the public to ensure that all potential shippers had access to information about the Project and the course of its development.

¹⁶ Shippers that executed precedent agreements for transportation service over both REX-West and REX-East agreed to enter into an Firm Transportation Service Agreement ("FTSA") for each. Upon the in-service date of REX-East, the FTSA for REX-West will be superseded in its entirety by the FTSA for REX-East. Each shipper that executed a precedent agreement for transportation service over both REX-West and REX-East also has acknowledged that approval by the Commission of the certificate for REX-West does not constitute approval of a certificate for REX-East and that awards of capacity under each FTSA may result in service for the agreed-upon term only on the REX-West facilities. FSAs reflecting the terms of the respective precedent agreements will be executed prior to the in-service date of REX-West, consistent with the conditions of the certificate order.

¹⁷ See Table 2 herein and explanation provided on page 32 of the REX-West application submitted on May 31, 2006 in Docket No. CP06-354-000.

East for nearly the entire amount of 1,800,000 Dth/day once REX-East is completed.¹⁸

The Commission, in its Preliminary Determination issued for REX-West, approved the conduct of the open season and its results.¹⁹ Among other things, potential shippers in the open season had the incentive to submit long term contracts for capacity through the establishment of three classes of shippers: "Foundation Shippers," "Anchor Shippers," and "Standard Shippers." The shippers now committed to REX-East are either shippers that bid in the original open season or shippers that have replaced those original, winning bidders, all as explained more fully below.

The table below reflects the names of those shippers that have secured firm transportation commitments on REX-East, their specific class, contracted amount and length of contract. The executed precedent agreements that apply to both REX-West and REX-East are the same as the agreements that were filed in Exhibit I in the REX-West application and are incorporated herein by reference.²⁰ With one exception, all of the shippers have signed up to utilize firm long-haul transportation through Zones 1, 2 and 3.²¹

¹⁸ As set forth below, 12,000 Dth/day remains as unsubscribed capacity, an amount for which Rockies Express remains at risk.

¹⁹ REX-West PD at PP 69-73.

²⁰ See Exhibit I of the application of Rockies Express Pipeline LLC, Docket No. CP06-354 (filed May 31, 2006). By separate filing, Rockies Express today has filed in Docket No. CP06-354-000 to supplement Exhibit I of the REX-West application. The additional material is incorporated herein by reference.

²¹ As shown on Tables 2 and 3 of this application, the combination of Coral Energy Resources L.P. volumes in Zone 1 and certain of the Yates Petroleum Corporation volumes in Zones 2 and 3 comprise a long-haul transportation path.

**REX-East Shipper Commitments
(Dth/day)
Table 3**

Name of Shipper	Length of Contract (years)	REX-East*		
		Contracted Amount **	Pipeline Capacity (12/30/08 thru 6/29/09)	Pipeline Capacity as of 6/30/09
Foundation Shipper:				
EnCana Marketing (USA) Inc.	10	500,000	500,000	500,000
Anchor Shippers:				
ConocoPhillips Company	10	400,000	400,000	400,000
Sempra Rockies Marketing, LLC	10	200,000	200,000	200,000
Ultra Resources, Inc.	10	200,000	200,000	200,000
BP Energy Company	10	300,000	100,000	300,000
Standard Shippers:				
Yates Petroleum Corporation	10	15,000	15,000	15,000
Coral Energy Resources L.P./ Yates Petroleum Corporation***	10	28,000	28,000	28,000
U.S. Minerals Management Service	10	50,000	50,000	50,000
Bill Barrett Company	10	25,000	25,000	25,000
EOG Resources, Inc.	10	50,000	50,000	50,000
Berry Petroleum Company	10	10,000	10,000	10,000
Arrowhead Resources (U.S.A.) Ltd.	10	10,000	10,000	10,000
SUBTOTAL		1,788,000	1,588,000	1,788,000
Unsubscribed		12,000	12,000	12,000
TOTAL		1,800,000	1,600,000	1,800,000

* Increases the capacity from the Wamsutter Hub to Audrain County, Missouri from 1,600,000 Dth/day to 1,800,000 Dth/day. Upon completion of all facilities proposed herein, the capacity in Zones 1, 2, and 3 (from Wamsutter Hub to Clarington) of the Rockies Express pipeline system will be 1,800,000 Dth/day.

** The Contracted Amounts reflect commitments made during the Open Season and under precedent agreements entered into after the end of the open season.

*** As noted in Table 2, Coral Energy Resources L.P. has contracted for 28,000 Dth/day on REX/Entrega from the Opal Hub to the Cheyenne Hub (Zone 1). Yates Petroleum Corporation has contracted for 28,000 Dth/day in Zone 2 and Zone 3 from the Cheyenne Hub east across REX-West and REX-East. Taken together, this contracted capacity forms a long-haul path across the entire Rockies Express pipeline system.

The commitment of capital by the multiple participants in the Project is reliant upon the Commission's previous approval -- in the Preliminary Determination for REX-West -- of the structure and result of the open season. All of the shippers referred to in the table indicated above obtained capacity in the original open season except for Berry Petroleum Company, Arrowhead Resources (U.S.A.) Ltd. and Coral. As explained in its July 28, 2006 supplement to its REX-West application, Rockies

Express replaced the original, winning bidder, Wyoming Pipeline Authority ("WPA"), with these shippers.²²

VII. FINANCING AND RECOVERY OF COSTS

1. Capital Structure and Rate of Return

The rate design, rate of return, capital structure and depreciation proposed here for REX-East are the same as proposed, and accepted, for REX-West. As with REX-West, it is anticipated that approximately 55% of the Project costs will be funded with equity and the remaining 45% with commercial bank and/or capital market debt.²³ The recourse rates for the new REX-East facilities are based on a proposed return on equity of 13% and a 6.75% cost of debt. The proposed capital structure, the rate of return on equity and cost of debt result in an overall rate of return of 10.19%, which is utilized in the calculations of the recourse rates proposed to apply to the new project facilities. The existing Firm Transportation Service ("FTS"), Interruptible Transportation Service ("ITS") and Park and Loan Service ("PALS") recourse rates, as approved for the Rockies Express Certificated Facilities are not proposed to be changed by this application as a result of the construction proposed for the Project.

2. Requested Return on Equity

Rockies Express is requesting a 13% rate of return on equity in determining its overall cost of capital for the new facilities. This proposed rate of return on equity is based upon the relative risks associated with the Project and assumed by Rockies

²² Due to the inability to exactly match the WPA volumes with other shippers, the total capacity reflected in Table 3 reflects unsubscribed capacity for the REX-West facilities of 8,000 Dth/day through June 30, 2009 (for a 1,500,000 Dth/day system) and unsubscribed capacity of 12,000 Dth/day thereafter, as well as unsubscribed capacity for the REX-East facilities of 12,000 Dth/day (for a 1,800,000 Dth/day system). Rockies Express is at risk for this unsubscribed capacity.

²³ See Exhibit L for the details of the financial profile associated with the REX-East Project.

Express. This rate of return is the same that was requested and approved for REX-West. This Project, moreover, will be one of the largest natural gas pipeline projects constructed in several years, constituting some \$2.2 billion of additional investment, over that already made in the existing Rockies Express Certificated Facilities, or a total investment in new infrastructure of over \$4.4 billion. The proposed rate of return on equity of 13% for REX-East, therefore, is reasonable considering the construction and financing risks attendant with a pipeline project this size and the rates of return on equity granted by the Commission to other new pipeline projects.

3. Requested Depreciation Rate

Rockies Express proposes to depreciate its new gas transmission plant using a 2.86% straight-line depreciation rate for accounting purposes, based on a 35-year useful life. Rockies Express determined the 35-year life based upon the estimated useful life of the facilities. The 35-year useful life, and corresponding 2.86% depreciation rate, is identical to that approved by the Commission for the Rockies Express Certificated Facilities. The Project is an extension of those facilities and thus it is reasonable to utilize the same useful life. There are no materially changed circumstances that would justify a different result. In Williston Basin Interstate Pipeline Co.,²⁴ the Commission affirmed an ALJ decision, in a general rate case, finding that the useful life of facilities dependent upon Northern Rocky Mountain and Western Canadian Sedimentary Basin gas was 35 years. This request, therefore, is consistent with Commission precedent. Rockies Express also reviewed physical, technical, supply and market obsolescence to confirm the reasonableness of a 35-year useful life.

²⁴ 104 FERC ¶ 61,036 at P 54 (2003), order on reh'g, 107 FERC ¶ 61,164 at P 27 (2004).

4. Rate Design and Recovery of Costs

Rockies Express has entered into negotiated rate contracts with all of its shippers. REX-East's recourse rates are designed using the Commission approved and preferred Straight Fixed Variable methodology ("SFV"). A new proposed Zone 3 rate will encompass all points east of the interconnect with PEPL in Audrain County, Missouri. Specific Zone 3 and recourse rate development is discussed more fully below.

VIII. RATES AND SHIPPER COMMITMENTS

1. Rates and Revised Tariff Sheets

All firm shippers subscribing to the Project have elected to pay negotiated reservation rates. Details of the negotiated rate authority under which these elections were made are contained in Section 33 of the General Terms and Conditions ("GT&C") of Rockies Express' *pro forma* Second Revised Volume No. 1 FERC Gas Tariff. The Commission's Alternative Rate Policy Statement requires pipelines that enter into negotiated rate agreements for service to also provide anticipated recourse rates as an alternative for shippers, and as noted earlier, this alternative was offered during the open season process.²⁵ Since all of the firm shippers on REX-East will be paying negotiated rates pursuant to their individual service agreements, the applicability of additional incremental, tariff-based recourse rates to the services provided to such negotiated rates shippers is limited.

With the addition of the facilities proposed by this application, recourse rates for the completed Rockies Express system will be based on three zones. In its order

²⁵ Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines, 74 FERC ¶ 61,076, reh'g and clarification denied, 75 FERC ¶ 61,024, reh'g denied, 75 FERC ¶ 61,066 (1996).

approving a preliminary determination for REX-West, the Commission approved: (1) two-part firm recourse rates for Zones 1 and 2, (2) one-part interruptible rates based on a 100% load factor derivative of the firm transportation rates, and (3) incremental rates for the use of discrete compression facilities located at Meeker ("the Meeker Hub Facilities"), Cheyenne ("the Cheyenne Hub Facilities") and the Overthrust Lease Facilities.²⁶ Here, Rockies Express does not propose to alter the approved recourse rates for Zones 1 and 2. It simply will add a new Zone 3 for which, as set forth in Exhibit P, the recourse rates will reflect the costs associated with constructing facilities east of Audrain County, Missouri.

As noted previously, Rockies Express proposes to increase the capacity on its certificated facilities in Zones 1 and 2. Specifically, it proposes in Zone 1, from Wamsutter to Cheyenne, and in Zone 2, from Cheyenne to Audrain, to increase its certificated capacity from 1,500,000 Dth/day to 1,800,000 Dth/day. To accomplish this increase in capacity, Rockies Express proposes to construct and operate the Arlington Compressor Station in existing Zone 1 and the Bertrand Compressor Station in existing Zone 2. The construction of the two compressor facilities in Zones 1 and 2, respectively, serves to optimize the reliability and efficiency of Rockies Express' certificated facilities and benefits shippers by providing increased flexibility. The revenues received on the incremental capacity will offset the costs of the facilities, as shown in Exhibit N. Accordingly, Rockies Express requests that the Commission, consistent with its Policy Statement²⁷ and its approval of the roll-in of the Wamsutter and Echo Springs facilities for REX-West, approve the roll-in of the

²⁶ See REX-West PD, at P 42. In the Preliminary Determination, the Commission required certain changes to be made to the tariff provisions proposed by Rockies Express. These changes will be implemented separately by a compliance filing prior to the in-service date of REX-West.

²⁷ See Construction Policy Statement, 88 FERC ¶ 61,227 at p. 61,762, n. 12.

Arlington and Bertrand Compressors to Zones 1 and 2, respectively, to be reflected in the recourse rates for the Rockies Express Certificated Facilities proposed in a future rate case.²⁸

The Zone 3 rates provided in the proposed *pro forma* tariff sheets were developed consistent with the Commission's policy related to the straight-fixed-variable rate design.²⁹ Rockies Express is proposing two-part recourse rates for firm transportation service based on the applicable cost of service. Rockies Express also is proposing one-part rates for interruptible transportation service based on a 100% load factor derivative of the firm transportation rate. The proposed maximum and minimum recourse reservation and commodity rates under Rate Schedules FTS, ITS and PALS are set forth on the attached *pro forma* tariff sheets and were calculated based on the Zone 3 facilities costs as set forth in Exhibits K, N and P. As shown in the calculation of the Zone 3 rates in Exhibit P, Rockies Express has allocated a significant level of costs to interruptible service in the development of its recourse rates for REX-East.³⁰ Rockies Express, therefore, is not proposing to share any interruptible revenues for interruptible service on REX-East.³¹

Rockies Express seeks to permit deliveries of gas in time for the 2008/2009 winter heating season, prior to the installation of compressor stations on REX-East

²⁸ In the near future, Rockies Express will file a request under its blanket authorization to construct and operate certain gas supply facilities to receive natural gas from Lost Creek Gathering Company, L.L.C. The costs attributable to constructing said gas supply facilities will be rolled into Rockies Express' Zone 1 rates.

²⁹ 18 C.F.R. § 284.7(e) (2006); Northern Natural Gas Co., 105 FERC ¶ 61,299 at P 14 (2003) (Commission preference for straight fixed-variable (SFV) rate design).

³⁰ The costs allocated reflect the limited opportunity to engage in interruptible transportation on REX-East. Among other things, the new pipeline is over 95% sold out by long term negotiated rate contracts, and these volumes, if not utilized, will likely be offered in the capacity release market that competes directly with interruptible services.

³¹ See, e.g., Ingelside Energy Ctr., LLC, 112 FERC ¶ 61,101 at PP 26-28 (2005) (no revenue crediting required where pipeline allocated costs to interruptible services); Cheniere Creole Trail Pipeline, L.P., 118 FERC ¶ 61,125 at P 16 (2007) (Commission policy requires either crediting or allocation of costs to interruptible services for a new pipeline).

that will power up the facilities to the full 1,800,000 Dth/day requested certificated capacity. This initial transportation service on REX-East may be provided to points in Zone 3 located in Illinois, Indiana and Ohio, depending upon the timing and completion of construction of the Project. Such initial service, if provided, will be subject to specified negotiated rates set forth in the precedent agreements. The applicable recourse rate for the initial service on REX-East is proposed to be the existing Rockies Express Part 284 rate.

As noted above, rates under proposed Rate Schedules FTS, ITS and PALS are traditional cost-of-service based rates, designed under the SFV rate design methodology. Attached as part of Exhibit P is a Derivation of Rates which includes the schedules and work papers supporting the proposed initial recourse rates for Zone 3 including the maximum reservation rates, usage rates, FL&U charges, interruptible service rates, and park and loan service rates. Shippers on REX-East also are responsible for the ACA surcharge.

Certain provisions in the Rockies Express FERC Gas Tariff, *Pro Forma* Second Revised Volume No. 1, have been changed to reflect the addition of Zone 3. As an initial matter, the description of the Rockies Express pipeline system on Sheet No. 3 has been revised to reflect Zone 3, including the delivery points and additional states that are within Zone 3. In addition, the following tariff sheets have been revised to reflect the addition of Zone 3: Rate Schedules FTS and ITS (Sheet No. 5); ITS/FTS Fuel and Lost and Unaccounted-for Reimbursement Percentages (Sheet No. 6); Rate Schedule PALS and Overrun Service Charge (PALS) (Sheet No. 7); System-Wide Rate Schedule PALS and System-Wide Overrun Service Charge (PALS) (Sheet No. 7.01); Rate Schedule FTS, Overrun Service provisions (Sheet No.

32); Rate Schedule ITS, Overrun Service provisions (Sheet No. 44); Rate Schedule PALS, Overrun Service provisions (Sheet No. 57); Rate Schedule PALS, Mandatory Balancing provisions (Sheet No. 62); and General Terms and Conditions Cashout Procedures (Sheet No. 150). The Statement of Negotiated Rates has also been revised to reflect changes to the Primary Receipt Points and Primary Delivery Points that will be reflected in the firm transportation service agreements for REX-East (*see* Sheet Nos. 8, 8A, 8B, 8C and 9 through 9M).³² All of these changes are set forth, in marked and unmarked versions, in Exhibit P.³³

For Zone 3 fuel, lost and unaccounted for gas ("FL&U"), Rockies Express is proposing to use the form of FL&U tracker that was approved for the Rockies Express Certificated Facilities. The FL&U tracker will separately delineate FL&U in Zone 3 for recovery of such costs from shippers utilizing those facilities. The initial FL&U percentage proposed to be applicable for the Rockies Express Zone 3 facilities is 1.62% as set forth on *pro forma* Tariff Sheet No. 6. As a result of adding the Arlington and Bertrand Compressor Stations to Zones 1 and 2, FL&U will increase to an annual average of 1.00% for Zone 1 and 1.64% for Zone 2. Once the proposed revised *pro forma* tariff sheets are approved by the Commission in this proceeding, Rockies Express, thereafter, will file the revised tariff sheets not less than 30 days and not more than 60 days prior to commencement of service on the REX-East system (anticipated to be December 30, 2008).

³² Primary points are subject to change.

³³ Rockies Express is required to revise certain of the tariff sheets in its FERC Gas Tariff pursuant to the preliminary determination issued by the Commission in the REX-West proceeding. Those required changes are not reflected in the proposed revised *pro forma* tariff sheets included in Exhibit P; rather those required changes will be reflected in the replacement tariff Rockies Express will submit prior to commencement of service on the REX-West system.

2. Shipper Commitments

A. Introduction

As more fully described in the Rockies Express application for the REX-West certificate, Rockies Express recognizes that a project of this scale would only proceed if the project could attract relatively large, long-term commitments. To attract shippers, Rockies Express developed the Foundation, Anchor and Standard tiers of shippers with the varying levels of negotiated rate offerings and related contractual benefits described above. As a result of extensive precedent agreement negotiations, shippers and Rockies Express were able to reach agreements through which many shippers qualified for the Foundation, Anchor or Standard Shippers' rights. Through this process, Rockies Express was able to attract the type and quality of creditworthy parties necessary to undertake the extraordinary financial risks associated with this type of project.

In the REX-West Preliminary Determination and Certificate orders, the Commission approved the rate and contractual offerings that were based on a shipper's status as a Foundation Shipper, Anchor Shipper or Standard Shipper and found that, in these circumstances, the negotiated rates and contractual terms offered to Foundation Shippers and Anchor Shippers were not unduly discriminatory.³⁴ In addition, and as more fully explained in the REX-West certificate application, certain of the precedent agreements signed by shippers in the open season contain provisions which address unique circumstances of the shipper that, but for the particular provision, would not provide the shipper with the contractual incentive necessary for it to make a binding commitment to the Project. The REX-West certificate

³⁴ See REX-West PD; Rockies Express Pipeline LLC, 119 FERC ¶ 61,069 (2007).

application described provisions in the precedent agreements which might constitute material deviations from the tariff form of service agreement, but which would not be unduly discriminatory. In the REX-West Preliminary Determination, the Commission approved the non-conforming provisions and acknowledged that these provisions were necessary to secure the financial commitments for construction of the most efficient pipeline project and that the provisions had been tailored to address the unique circumstance of the respective shipper.³⁵

Similar provisions in the precedent agreements will be reflected in the REX-East FTS Service Agreements. Due to circumstances described below, certain shippers were granted particular contractual rights which may be non-conforming but that were, nonetheless, necessary for the shipper to make a binding commitment to the Project. In each of these situations, no other shipper is similarly situated to the shipper that executed the precedent agreement. Rockies Express believes that, due to the circumstances that gave rise to the provisions identified herein, none of the contract provisions affects the quality of service to be received by that shipper or any other shipper. Moreover, because no other shipper is similarly situated and the unique provisions were narrowly tailored to address a particular issue without affecting the terms or conditions of its base firm transportation service, Rockies Express submits that none of the identified contract provisions creates the risk of undue discrimination.

Although the contract provisions described below may constitute material deviations from the form of service agreement in the tariff, none of them is unduly discriminatory. Each of the contract provisions, therefore, should be permitted to be

³⁵ REX-West PD, at P 78.

included in the respective negotiated rate agreements.³⁶ Consistent with current Commission policy, Rockies Express intends to file the negotiated rate agreements, identifying any material deviations or non-conforming provisions in each agreement, at the time specified in the regulations or in a Commission order in this proceeding. As part of this application, Rockies Express is providing for review those provisions unique to REX-East, which would be reflected in the FTS Service Agreements.

B. U.S. Minerals Management Service

As described in the REX-West certificate application, the U.S. Minerals Management Service of the Department of the Interior ("MMS") is an agency of the federal government subject to specific statutory requirements governing its Royalty in Kind ("RIK") program³⁷ and to periodic reauthorization of its authority to use a portion of the revenues from the RIK program to pay for transportation and to process or otherwise dispose of RIK production. In the REX-West certificate order, the Commission approved certain provisions in the MMS precedent agreement that require that certain rate and termination provisions be included in the MMS FTS Service Agreement in order to permit MMS to access transportation and other services from Rockies Express that are necessary to implement the RIK program.³⁸

Following the in-service date of facilities needed to deliver MMS gas to the Lebanon Hub, MMS will have a right to terminate its FTS Service Agreement if its

³⁶ See, e.g., CenterPoint Energy Gas Transmission Co., 104 FERC ¶ 61,280 at P 7 (2003) (non-conforming deviation reflecting unique status of shipper permitted) (citing Tenn. Gas Pipeline Co., 97 FERC ¶ 61,225 at p. 62,029 (2001) and ANR Pipeline Co., 97 FERC ¶ 61,223 at p. 62,016 (2001)); see also, Gulfstream Natural Gas Sys., L.L.C., 100 FERC ¶ 61,036 at PP 14-15 (2002).

³⁷ 42 U.S.C. § 15902(d) (Pamphlet 3A December 2005) ("The Secretary may receive oil or gas royalties in-kind only if the Secretary determines that receiving royalties in-kind provides benefits to the United States that are greater than or equal to the benefits that are likely to have been received had royalties been taken in value.").

³⁸ See REX-West PD at P 78; the Commission had previously recognized MMS' unique status as a federal agency in permitting non-conforming provisions. Sabine Pipe Line LLC, 113 FERC ¶ 61,312 at P 5 (2005).

RIK gas is not sold at fair market value. Granting this right to MMS was required because its activities are subject to "The Mineral Leasing Act of 1920" which authorizes MMS to take royalties in kind and requires that MMS obtain market price for royalty oil and gas it sells. The methodology for determining whether MMS has obtained market price for its gas is specifically defined in the Precedent Agreement and will be included in the MMS FTS Service Agreement.

C. BP Energy Company

As described in the REX-West certificate application and approved by the Commission in the Preliminary Determination, BP Energy Company ("BP") agreed to increase its capacity commitment by 200,000 Dth/day upon the commencement of full Rockies Express service to Clarington (1,800,000 Dth/day) in order to secure commitment of gas from a producer who sought capacity but could not satisfy the credit requirements.³⁹ BP has entered into a five-year gas supply contract with the producer to purchase the gas needed to meet its increased capacity commitment.

Under the agreement for REX-East, in recognition of BP's reliance on the producer to provide the gas to meet its increased transportation commitment to Rockies Express, BP has a non-conforming provision which provides it the right during the five-year period commencing with the date service is provided to Clarington to reduce its MDQ by up to 200,000 Dth/day if the producer files for bankruptcy and BP's contract with the producer is rejected. Further, BP has the one-time right to reduce its MDQ by up to 200,000 Dth/day on the fifth anniversary of the date service is provided to Clarington if it has not reduced its MDQ on the basis of

³⁹ See REX-West PD at P 78. In return for BP's commitment to step-up its capacity, if and when REX-East is put in service, Rockies Express agreed that, as of the in-service date of REX-West, BP would have the right to the Anchor Shipper rate, most favored nations rate treatment at the Anchor Shipper rate, annual contract rollover right, and a one-time contractual ROFR.

the producer rejecting the underlying contract due to bankruptcy. This second MDQ reduction right, which coincides with expiration of the gas supply contract between BP and the producer, gives BP flexibility to retain all or a portion of the 200,000 Dth/day increased commitment by either renewing the gas supply contract with the producer, entering into a gas supply contract with another producer, or by using BP-owned gas. Finally, in the event REX-East does not provide service to the Clarington Hub on or before September 10, 2010, BP has the right, in lieu of terminating its precedent agreement for REX-East service, to reduce its MDQ by any quantity, subject to a minimum of 100,000 Dth/day.

If BP foregoes the MDQ reduction rights discussed above and elects to increase its Echo Springs Primary MDQ receipt point in order to meet its 300,000 Dth/day transportation commitment, Rockies Express has agreed to install, at its sole cost, the necessary facilities to increase the Echo Springs receipt point quantity by up to 200,000 Dth/day.⁴⁰ If BP reduces its MDQ commitment to Rockies Express under any of its MDQ reduction rights so that its total MDQ is less than 200,000 Dth/day, its negotiated transportation rate will be increased from the Anchor Shipper rate to the Standard Shipper rate. As noted above, these provisions were negotiated with BP as a means for Rockies Express to secure the commitment of gas from a producer that sought capacity but could not satisfy its credit requirements. Because BP was willing to enter into this agreement, Rockies Express was able to get that producer's gas committed to the Project under a contract with a creditworthy party (i.e., BP). Getting this significant volume of capacity subscribed to the Project was absolutely

⁴⁰ As part of the REX-West agreement, and as approved by the Commission, in order to allow receipt of BP's initial 100,000 Dth/day commitment, Rockies Express agreed to establish a primary receipt point and install the Echo Springs Compressor Station and Echo Springs supply lateral connecting the Wamsutter Field, where BP is a major producer. See REX-West PD at PP 77-78.

necessary to get the pipeline sufficiently subscribed which ultimately benefited all potential shippers on the pipeline.

IX. NEPA PREFILING AND LANDOWNER PARTICIPATION

Rockies Express has sought and received direct landowner, community, federal, state and local agency input in designing its Project. Rockies Express initiated the Commission's NEPA prefilng procedures by its letter dated June 1, 2006. By letter dated June 13, 2006 in Docket No. HF06-30-000, the Director of Office of Energy Projects for the Commission agreed to Rockies Express' participation in the NEPA prefilng process. As part of this process, Rockies Express has been in on-going consultations with the affected federal, state and local government agencies. Likewise, Rockies Express also held customer meetings to provide information to potential shippers about its Project on November 15, 2005 and November 17, 2005 in Chicago, Illinois and Teaneck, New Jersey, respectively, and the following 20 open house meetings along the proposed route for the Project:

1.	June 19, 2006	Cambridge, OH
2.	June 19, 2006	Bowling Green, MO
3.	June 20, 2006	Zanesville, OH
4.	June 20, 2006	Springfield, IL
5.	June 21, 2006	Woodsfield, OH
6.	June 21, 2006	Winchester, IL
7.	June 22, 2006	Ashville, OH
8.	June 22, 2006	Decatur, IL
9.	June 23, 2006	Lancaster, OH
10.	June 23, 2006	Danville, IL
11.	June 26, 2006	Wilmington, OH
12.	June 26, 2006	Tuscola, IL
13.	June 27, 2006	Mason, OH
14.	June 27, 2006	Rockville, IN
15.	June 28, 2006	Hamilton, OH
16.	June 28, 2006	Franklin, IN
17.	June 29, 2006	Greensburg, IN
18.	June 29, 2006	Plainfield, IN
19.	October 10, 2006	Bainbridge, IN
20.	October 11, 2006	Franklin, IN

In addition to the open houses described above, Rockies Express also participated in community outreach meetings held in Johnson County, Indiana at various locations throughout the day on July 13 and 14, 2006 and additional follow-up meetings held on August 21, 2006 and October 10, 2006 (Bainbridge, Indiana) and October 11, 2006 (Franklin, Indiana).

On August 16, 2006, in Docket No. PF06-30-000, the Commission issued its Notice Of Intent To Prepare An Environmental Impact Statement For The Proposed Rockies Express Pipeline Project, Eastern Phase Request For Comments On Environmental Issues And Notice Of Public Scoping Meetings ("NOI").⁴¹ Nine scoping meetings were hosted by the Commission Staff from September 11 through 15, 2006 in various locations along the route. Rockies Express has incorporated the comments raised in the scoping meetings in its environmental resource reports.

⁴¹ The scoping period described in the NOI closed September 29, 2006.

In addition, Rockies Express held meetings and made informational presentations to state utility commissions in those states which both REX-West and REX-East will traverse. Except as otherwise noted, the meetings were open to all interested potential shippers, utilities and other parties. These meetings were held with the following state commissions:

- | | | |
|----|------------------|---------------------------------------|
| 1. | January 17, 2006 | Missouri Public Service Commission |
| 2. | January 17, 2006 | Kansas Corporation Commission |
| 3. | January 18, 2006 | Nebraska Public Service Commission |
| 4. | January 25, 2006 | Colorado Public Utilities Commission |
| 5. | January 25, 2006 | Indiana Utility Regulatory Commission |
| 6. | January 30, 2006 | Public Utilities Commission of Ohio* |
| 7. | February 8, 2006 | Illinois Commerce Commission* |
| 8. | March 6, 2006 | Wyoming Public Service Commission |

* This meeting was only held with the Chairman, commissioners and various staff members.

Rockies Express 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 irrigation systems and right-of-way restoration, Rockies Express will also work with these landowners with regard to the timing associated with land cultivation and the construction of the pipeline. Rockies Express has worked with, and will continue to work with, these and the other affected landowners in identifying any other potential issues of concern. In this regard, as set forth in the Environmental Report submitted herein as Exhibit F-I (Resource Report No. 10), Rockies Express already has made numerous alterations in its pipeline construction route and methodology to accommodate landowner concerns. A toll-free hotline (1-866-566-0066) has been installed to address any concerns raised by landowners before, during or after construction of REX-East. Further, the Rockies Express website (www.rexpipeline.com) is periodically updated with new

information pertaining to the Project. Based on this preliminary and ongoing work, Rockies Express anticipates that there will be no significant impact to the affected landowners.

X. ENVIRONMENTAL COMPLIANCE

1. Results of PreFiling Process and Content of Environmental Report

This application is subject to the requirements of the Energy Policy Act of 2005 (“EPAAct 2005” or “the Act”).⁴² EPAAct 2005 designates the Commission as “the lead agency for purposes of coordinating all applicable Federal authorizations and for purposes of complying with the National Environmental Policy Act of 1969.”⁴³ Among other things, the statute authorizes the Commission to establish a schedule for federal authorizations, and, pursuant to Section 313 of the Act, directs the Commission to “ensure expeditious completion” of NGA sections 3 and 7 proceedings.⁴⁴

Pursuant to the Act, the Commission has issued a final rule implementing EPAAct 2005.⁴⁵ Sections 153.8 and 157.14 of the Commission’s new regulations require that an application filed with the Commission include:

A statement identifying each Federal authorization that the proposal will require, the Federal agency or officer or State agency or officer acting pursuant to delegated Federal authority, that will issue each required authorization; the date each request for authorization was submitted; why any request was not submitted and the date submission is expected; and the date by which

⁴² Pub. L. No. 109-58, 119 Stat. 594.

⁴³ EPAAct 2005, § 313(a), 119 Stat. at 689.

⁴⁴ *Id.*, § 313(c), 119 Stat. at 689.

⁴⁵ Regulations Implementing the Energy Policy Act of 2005; Coordinating the Processing of Federal Authorizations for Applications Under Sections 3 and 7 of the Natural Gas Act and Maintaining a Complete Consolidated Record, 71 Fed. Reg. 62,912 (Oct. 27, 2006) (“Final Rule”).

final action on each Federal authorization has been requested or is expected.⁴⁶

In the Final Rule, the Commission noted that most applicants participate in the prefiling process ("PF Process") which affords the applicant, "Commission staff, and staff from other agencies the opportunity to identify which Federal authorizations will be needed for a project, and ample time for the [applicant] to prepare requests for related Federal authorizations in advance of filing an application with the Commission".⁴⁷ Thus, according to the Commission, "the prefiling process can establish coordination among the agencies responsible for reviewing a project proposal"⁴⁸

Consistent with EAct 2005 and the Commission's regulations, Rockies Express has engaged in an extensive, successful prefiling process (Docket No. PF06-30) with the Commission Staff and cooperating local, state and federal agencies to commence a timely and thorough review of the Project's environmental requirements. The gathering and processing of environmental information has proceeded on the schedule mutually adopted by the Commission Staff and Rockies Express at the commencement of the PF Process. Among other things, Rockies Express has contacted, and begun the formal consultation process with, every permitting agency that will review the REX-East Project.⁴⁹ Rockies Express also has exchanged two complete drafts with the Commission Staff of the thirteen environmental "Resource

⁴⁶ Final Rule, 71 Fed. Reg. at p. 62,920 - 921.

⁴⁷ Final Rule, 71 Fed. Reg. at P 9. Generally, in order to develop the required Part 380 resource reports, an applicant would need to consult with various agencies prior to filing the application (e.g., the filing of resource report 4—Cultural Resources requires documentation of the applicant's initial consultation, including comments from the State Historical Preservation Officer).

⁴⁸ Final Rule at P 9.

⁴⁹ A statement identifying each Federal authorization that the proposal will require, the Federal agency or officer or State agency or officer acting pursuant to delegated Federal authority, which will issue each authorization; the date each request for authorization was submitted; and the date by which final action on each Federal authorization has been requested or is expected is set forth in Exhibit J to this application.

Reports” that, all together, comprise the “Environmental Report” required by Sections 157.14 (6-a) and 380.12 of the Commission’s regulations.⁵⁰ Thus, the intent of the Commission’s prefilng process, *i.e.*, the early identification and discussion of environmental issues for the Project, has been accomplished, assisting the Commission in executing its responsibilities under EPAct 2005.

The environmental data submitted by Rockies Express in this application is substantially complete and, meets the Commission’s minimum filing requirements. As set forth in the attached Resource Reports, Rockies Express has provided the information required for Resource Report Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13. The environmental survey data submitted with this application represents both field survey and intensive “desktop” reviews of the environmental data that Rockies Express will provide for this ambitious project that will cover over 600 miles, stretching across four states.

The field survey data that remains to be submitted can largely be attributed to: (1) landowner refusal to permit Rockies Express entry for any survey work; (2) Rockies Express respecting requests of individual landowners to delay entry and survey work during discrete periods such as planting or harvest times; (3) seasonal considerations; and, (4) in some instances weather-related delays in appropriate survey conditions. In the case of landowner refusal, the Commission’s regulations expressly contemplate this occurrence and specifically provide an applicant the ability to establish a timetable under which the Commission can proceed with processing the application while data continues to be submitted.⁵¹ As set forth below, Rockies

⁵⁰ 18 C.F.R. §§ 157.14 and 380.12.

⁵¹ See 18 C.F.R. § 380.12(f)(2)(ii) (“If landowners deny access to private property and certain area are not surveyed, the unsurveyed areas must be identified by mileposts, and supplemental surveys or

Express intends to provide the remaining environmental data to the Commission in a time frame that should permit the Commission Staff and other cooperating federal and state agencies to complete an environmental impact statement within the time period agreed to in the PF Process. Rockies Express is aware that it carries the responsibility and burden of submitting the remaining data to the Commission in a timely manner in order to permit the application to be processed within the schedule originally established in the PF Process.

The data that remains to be submitted is required for Resource Report Nos. 2, 3, 4 and 9, as depicted on the table below. Rockies Express will provide a brief explanation and schedule with respect to each subject area.

Resource Report	Supplemental Information Fortcoming	Anticipated Submittal Date
2 – Water Use and Quality	Geotechnical Investigations <ul style="list-style-type: none"> • Three agency-requested areas • Remaining areas Wetland Mitigation Plans	June 2007 July 2007 July 2007
3 – Fish, Wildlife, and Vegetation	Biological Field Survey data	July 2007
4 – Cultural Resources	Cultural Resources Survey data (Phase 1)	July 2007
9 – Air Quality and Noise	Air permit applications	June 2007

A. Geotechnical Investigations

As set forth in Resource Report No. 2, Rockies Express intends to cross both the Big Darby Creek and the Little Miami River in Spring 2008 using the horizontal directional drill (HDD) method. Both waterbodies are designated national Wild and Scenic Rivers. As part of the process required to obtain permission for crossing waterbodies so designated, Rockies Express is preparing detailed plans which require

evaluations shall be conducted after access is granted. In such circumstances, reports, and treatment plans, if necessary, for those inaccessible lands may be filed after a certificate is issued.”).

a technical geological study to determine the feasibility of, and direction for, the directional drills that will take place under the rivers. Due to heavy rains, Rockies Express contractors have been unable to complete those studies as of this filing. However, each geotechnical investigation is currently under way and will be completed by June 2007. Rockies Express is also in regular contact with the U.S. Department of the Interior, National Park Service, U.S. Army Corps of Engineers, U.S. Fish & Wildlife Service, and the Ohio Department of Natural Resources. As a result of these on-going consultations, it is Rockies Express' current expectation that all cooperating federal and state agencies responsible for aspects of these crossings will be in a position to meet the proposed schedule for the NEPA documents.

The current route proposes to cross the Mississippi River north of the town of Louisiana, Missouri using the HDD method. This crossing is within the area administered through the Sny Island Levee Drainage District ("Levee District"). The Corps of Engineers also has certain residual responsibilities with respect to such crossings. Rockies Express has been in active discussions with both agencies. At the present time, on-going work is being conducted to complete geotechnical studies. These studies are anticipated to be completed by July 2007. Rockies Express and the relevant federal, state and local agencies have agreed to meet again to review the additional data. At issue here is the nature of the crossing, whether it will be submerged at a depth of 200 feet under the river or whether it will be up and over the levee crossing. Based upon the results of these studies, Rockies Express anticipates being able to resolve the type of crossing, location and develop additional details for submission to the record by July 2007. During the prefiling process, Rockies Express has also committed to provide copies of completed studies and communications with

the agencies to the Commission. Rockies Express will also inform the Commission staff of the time and place of meetings with the Levee District and the Corps of Engineers related to this river crossing. Rockies Express appreciates that this data is important to the Commission to assist its development of the portions of the EIS relating to alternatives considered in evaluating the proposed project.

In addition to the waterbody crossings described above, Rockies Express will be installing the pipeline under 17 waterbodies/features using the HDD construction technique. Rockies Express will be completing geotechnical investigations at these crossings to support the HDD construction technique. Rockies Express anticipates completing the geotechnical investigations by July 2007.

B. Wetland Mitigation Plans

Wetlands within the project area are regulated under Section 404 of the Clean Water Act ("CWA"), Section 401 of the CWA, and, in the case of Indiana and Ohio, state-regulated isolated wetland rules. Offsite compensatory wetland mitigation is typically required in Indiana and Ohio. In Missouri and Illinois, onsite wetland restoration may be acceptable to the regulating agencies. Rockies Express expects to have its conceptual wetland mitigation plans in Indiana and Ohio prepared by June 2007.

C. Biological Field Survey Data

For Resource Report No. 3, Rockies Express has identified certain threatened and endangered species, and potential habitat areas for such species that are subject to further review and study. The two species which have been specifically identified and discussed with staff during the prefilng process have been the Indiana Bat and various mussels particularly in the two Wild and Scenic River crossings discussed

above. Surveys to determine the presence or absence of these species are scheduled to commence in May 2007 and complete by July 2007. Rockies Express has been in direct communication with the regional offices of the FWS to coordinate the timing, scope and content of studies to be undertaken. The results of the studies are scheduled to be completed by July 2007 and will be submitted to the relevant state and federal agencies for their review and to the Commission.

D. Cultural Resources Survey Data

For Resource Report No. 4, Rockies Express must submit cultural resource survey reports for the entire length of the project, *i.e.* 638 miles. For this application, Rockies Express has included reports of cultural resource surveys conducted between September 2006 and January 2007 (approximately 45% of the land it will cross). For the approximately 55% of the right-of-way not addressed by cultural resource survey reports included with this application, Rockies Express was effectively denied access for cultural resource surveys as a result of: 1) landowner denial of access under any circumstances (15%), 2) landowner denial by agreement for seasonal reasons primarily relating to the agricultural use of the lands which was exacerbated by winter weather, and 3) snow cover which limited adequate visibility necessary for cultural surveys. Rockies Express has since completed the actual surveys of additional acreage for a total of approximately 60% of the acreage to be crossed. By June 2007, Rockies Express will complete cultural resource surveys on lands where it is granted permission to enter the land. The reports on the results of these additional surveys will be filed by July 2007.⁵² The remainder of the survey reports will be submitted

⁵² In consultation with the state historical preservation officers, Rockies Express has agreed to attempt to complete the reports as one, rather than multiple, addendums. If the Commission Staff would prefer to receive interim or multiple cultural survey reports as they are completed, Rockies Express will accommodate that request.

following the granting of access to survey for cultural resources, as is contemplated by the Commission's filing regulations.

E. Air Permit Applications

For Resource Report No. 9, Rockies Express will submit its state-regulated air permit applications to the Commission by June 2007.

F. Conclusion

Rockies Express believes that, based on the data that has been compiled during the prefiling process and is being submitted with this application, as well as the timetable identified for the submission of key portions of the remaining environmental data, the application is complete and ready for detailed review by the Commission.⁵³ Rockies Express is mindful that the burden is on it to develop the data necessary for this Commission and all cooperating agencies to complete their review and to prepare the required environmental documents. To the extent that Rockies Express is unable to complete its work in the anticipated time frame, it risks the Commission and the relevant agencies not being able to complete its required undertakings in a time frame that would permit completion of the environmental review during December 2007 and the issuance of the requested authorizations by February 2008. Rockies Express is confident that the identified schedules can be met. An extraordinary amount of data already has been compiled, submitted and reviewed.

⁵³ See, e.g., 18 C.F.R. § 380.12(a)(2): "If any resource report topic is required for a particular project but is not provided at the time the application is filed, the environmental report shall explain why it is missing and when the applicant anticipates it will be filed." See also Office of Energy Projects, FERC, Guidance Manual for Environmental Report Preparation, at 3-3 (August 2002) (the Director of the Office of Energy Projects, rather than reject an application for incomplete data, may allow a project to proceed where the applicant "has provided an acceptable reason for the items absence and an acceptable schedule for filing it.")

In addition, Rockies Express has secured all of the external resources it requires to complete the outstanding assignments, surveys, studies, reports and consultations.⁵⁴

2. Identified Landowner Issues and Proposed Mitigation Measures

The proposed Project facilities are designed and will be constructed in a manner that is intended to minimize environmental impacts. An Environmental Report, submitted herewith as Exhibit F-I, provides an analysis of the existing environmental conditions and the impact of the proposed facilities on the environment as required under NEPA. For much of the proposed route, the facilities will be located on, or adjacent to, existing pipeline right-of-way. The sites that were selected by Rockies Express for new compressor stations were selected to have a minimal aesthetic and environmental impact on the physical environment and surrounding communities along the pipeline and still meet the hydraulic requirements of the system. Through landowner interactions, Rockies Express has tried to accommodate specific requests in routing its pipeline to minimize disturbance to their property where possible. In addition, Rockies Express has developed agricultural mitigation plans in coordination with state agencies, farm bureaus and landowners. The Environmental Report outlines specific mitigation measures relative to agricultural issues.

Rockies Express has been, and continues to be, engaged in consultations and coordination with the affected federal, state and county government agencies concerning the proposed construction activities associated with the Project. Rockies Express has met with federal, state and county officials to explain the Project, discuss

⁵⁴ Rockies Express received additional data requests on the second set of resource reports submitted during the prefilings process on April 26, 2007. Since the resource reports submitted herewith were already in reproduction, Rockies Express will answer all of the data requests expeditiously commencing with its initial responses being filed prior to the conclusion of the notice period for the application.

their specific requirements, and provide an opportunity for any early concerns to be raised and resolved.

With respect to landowners, Rockies Express, as described above, has engaged in an extensive effort to contact landowners early in the planning process and continues to work with, and be available to, affected landowners. As set forth in the Environmental Report that accompanies this application, Rockies Express has complied, and will continue to comply, with the Commission's landowner requirements at 18 C.F.R. § 157.6(d) (2006). A list of affected landowners is included with the Environmental Report. Rockies Express has contacted all affected landowners either by mail, phone and/or direct contact concerning the proposed Project.

Within three business days following the Commission's issuance of a notice of the application, Rockies Express will mail the required formal notification letter in conformance with 18 C.F.R. § 157.6(d)(3) (2006) to each affected landowner and county, state and federal governments and agencies involved in the Project.⁵⁵ Further, within three business days after the Commission assigns a docket number for the application, an electronic copy of the application will be made available for inspection in centrally located public libraries in each of the counties where construction will occur. A hard copy of the application will be furnished to any requesting party. Within 14 days after the assignment of a docket number, a notice that the application has been filed will be published twice in newspapers of general circulation in the affected counties.

⁵⁵ Within 30 days after the application filing date, Rockies Express will file an updated list of affected landowners, including information concerning any notices that were returned as undeliverable.

3. Construction Right of Way

A. 125-Foot Construction Right of Way

In accordance with the suggestion to “*Conduct an overall project constructability assessment to provide early identification of temporary use areas and areas requiring specialized construction procedures*” described in a February 9, 2007 letter from Mr. Mark Robinson, FERC Director of Energy Projects to Mr. Scott Parker, President Natural Gas Pipeline Group of Kinder Morgan, Inc., careful consideration of stakeholder, environmental and constructability concerns was given during the siting and layout of workspace requirements for this project. As such, Rockies Express requires a 125-foot right of way to construct 638 miles of 42-inch pipeline for the REX-East Project. Accordingly, Rockies Express requests that the Commission expressly grant a 125-foot right of way along the entire length of the pipeline route except in the areas specifically delineated where, due to circumstances such as a wetland or sensitive biological or cultural grounds, Rockies Express will reduce the width of the right of way. As described in Section B, below, there are also many areas where, due to full right-of-way topsoil segregation, an additional 35 feet of right of way will be needed.

A 42-inch pipe requires a deeper and wider trench, more spoil storage area, larger equipment, and a wider passing lane than projects using smaller pipe. Specifically, as explained in Resource Report No. 1 of the Environmental Report, construction of a 42-inch pipeline will require using large sidebooms. Rockies Express anticipates the use of CAT 594s and the newer CAT 589s for movement of the pipe on the construction right-of-way. These units require a considerable width of right-of-way for safe operation. For instance, a CAT 589 with the boom and

counterweight retracted requires a minimum width of 15 feet, while the operational width necessary for extension of the boom and counterweight is roughly 38 feet. For safety and operational considerations, a minimum of approximately 5 feet of width will be needed to offset the equipment from the welded pipe; the same distance will be required on the ditch side of the welded pipe for worker safety. The need for these larger sidebooms will be present for the entire length of the route.

For a pipeline of this size and length, it is necessary for safety for construction to use a construction right-of-way width of 125-feet. First, due to the length of the pipeline, Rockies Express intends to utilize automatic welding. Automatic welding requires the use of sheds that are approximately 10-feet wide and machinery to move the sheds. Thus, besides needing a wider ditch width for the 42-inch pipeline, Rockies Express will be "leap-frogging" automatic welding sheds down the length of the pipeline. This is a practical and efficient method to build a pipeline of this size and length, and, without the ability to do this efficiently, will slow down the construction of the pipeline, create potentially greater safety hazards, and cause Rockies Express to remain on the right of way for longer periods of time. With welding sheds, in addition to the factors described below, Rockies Express requires a 125-foot right of way to operate safely and efficiently at the trench site and to be able to move one shed around another during construction. The workspace needed is graphically illustrated in the illustrations set forth in Resource Report 1, Appendix 1A.⁵⁶

In addition to the use of automatic welding operations and larger sidebooms, Rockies Express' general construction sequence plans include the stringing and

⁵⁶ Rockies Express reserves the right to further supplement its application on this matter as new facts come to light.

welding of pipe after trenching operations. Where this technique is used, an offset of approximately 8 feet, minimum, for the strung and welded pipe must be provided from the edge of the ditch in order to accommodate the automatic welding equipment, provide safe passage for traditional welding and minimize instances of sidewall cave-in due to the weight of the pipe. This means that the entire working area would be shifted further from the centerline and, without a 125-foot wide construction right-of-way, there would be insufficient room for passing of the larger sidebooms, precluding the use of this efficient construction technique.

With the larger equipment, a basic, practical work space consideration must also be addressed. Workers need the ability to safely operate, and get access to, equipment and materials without being placed in too tight quarters. A right of way of less than 125 feet jeopardizes their ability to work efficiently and without constraint. Accordingly, as a practical workspace matter, a 125-foot right of way is required for a 42-inch pipeline.

Rockies Express is sensitive to the environmental considerations that have led the Commission to limit nominal right-of-way authorizations to the minimum required. Nevertheless, Rockies Express submits that a careful balancing of environmental and other public interest considerations leads to a conclusion that a 125-foot right of way is justified for REX-East.

Besides the construction-related factors discussed above, there are additional environmental factors that should be considered when evaluating the environmental impact of granting the increase in the core right-of-way width. First, a more limited working area will likely slow construction below the optimal, safe pace, meaning longer potential disruption to wildlife and farming operations, and increased potential

for equipment leakage or spills. Although these risks always will be present during pipeline construction, increasing the time required for construction increases the amount of time during which these risks are present. Moreover, extending the construction period increases the risk that the seasonal onset of unfavorable weather conditions would delay restoration activities and disrupt normal farming practices.

A more limited construction right-of-way width could also increase the likelihood of less favorable (i.e., longer) restoration, due to increased potential disturbance to topsoil. Rockies Express, specifically, seeks to limit the amount of disturbance (both physically and temporally) to topsoil. Unnecessary disturbance of these soils will impair the general Project area's ability to recover quickly from construction effects. Confining the construction right of way will increase the likelihood of that disturbance as vehicles necessarily will travel on the right of way more often due to limited working area and decreased daily progress.

B. Special Factors Requiring an Additional 35 Feet of Right of Way for Temporary Workspace to Accommodate Full Right-of-Way Topsoil Segregation

In addition to the 125-foot right of way addressed above, Rockies Express requests authorization for an additional 35 feet of right of way through agricultural and other areas in which Rockies Express will conduct full right-of-way topsoil stripping. The majority of the route is located in areas of active agricultural operations.

Consistent with discussions with the Commission Staff in developing the Rockies Express Project, discussions at public meetings, requests of local and state agricultural interests as well as individual landowners, Rockies Express will offer each landowner the option to conduct full right-of-way topsoil stripping or ditch plus

spoil side topsoil stripping along the construction right of way. Full top soil segregation will minimize overall effects on the agricultural areas and will permit return of the disturbed area with less overall impact. This more comprehensive topsoil segregation will also reduce the likelihood of the topsoil mixing with subsoil. To implement this method of segregating the soils for the entire 125-foot width, Rockies Express will need an extra 35 feet on which to store the topsoil. Accordingly, for all areas in which Rockies Express proposes to utilize the "full top soil segregation" methodology, Rockies Express requests that it be granted a 160-foot right of way (125 feet plus 35 feet).

C. Right of Way for Wetlands

Rockies Express requests a 100 foot right of way for construction in all wetlands. This request by Rockies Express specifically addresses the fact that wetlands are more environmentally sensitive areas, while, at the same time, acknowledging the greater width of right of way that is required for a 42-inch pipeline.

For REX-East, Rockies Express specifically requests a 100-foot right of way for forested and saturated wetlands, as well as for non-saturated emergent and scrub-shrub wetlands. Rockies Express acknowledges the Commission granted a 100-foot right of way for non-saturated emergent and scrub-shrub wetlands and only a 75-foot right of way for forested and saturated wetlands for REX-West.⁵⁷

Rockies Express, however, believes that different circumstances exist on REX-East, particularly more rugged terrain. The constructability assessment by Rockies Express' engineers determined, therefore, that a 100-foot right of way will be

⁵⁷ See e.g., Final Environmental Impact Statement for REX-West at 2-24.

necessary in all wetlands. Opportunities for the push-pull construction method are minimal, thus requiring conventional trenching methods of installation. By definition, the soil from the trench is wet and cannot be stacked as easily. Accordingly, a larger trench must be dug and a larger space is required to store the more loose (*e.g.* wet) soil. Rockies Express is concerned that, with a 75-foot right of way, either numerous requests for variations will be required, or will result in the inability of Rockies Express to maintain compliance during construction. Additionally, as noted above, the terrain for REX-East is more rugged than REX-West, particularly in Indiana and Ohio. In order to maintain a stable and safe working environment for workers in these circumstances, a wider construction right of way will be required.

Rockies Express will limit the construction right of way width in areas that contain cultural resources or sensitive biological concerns, such as nesting or foraging areas for protected species, in accordance with federal and state wildlife agencies and State Historical Preservation Offices requirements. These areas will be identified by milepost based on continuing consultation with these agencies.

D. Additional Temporary Workspace

In areas where site-specific construction activities, such as road crossings, railroad crossings, waterbody crossings and rugged topography, are required additional temporary work space will be necessary for spoil and equipment storage purposes. These areas are described in Appendix 1G of the Exhibit F-I Environmental Report and depicted on the alignment drawings.

E. Conclusion

When all the above factors are considered, and particularly those factors specific to a 42-inch pipeline being built on this terrain for this Project, Rockies Express believes that a right of way of 125 feet wide is justified. In addition, Rockies Express requests a 100-foot right of way for all wetlands and an additional 35 feet of right of way in agricultural areas where Rockies Express is engaging in full topsoil segregation. The cost, inefficiency and safety concerns related to attempting to construct the overall Project on a smaller right of way, with only variances available for specified areas, is impractical. Accordingly, Rockies Express requests that the Commission grant Rockies Express a 125-foot right of way in which to construct its pipeline, an additional 35-foot right of way for full topsoil segregation and a 100-foot right of way for all wetlands.

XI. COMPLIANCE WITH THE COMMISSION'S CONSTRUCTION POLICY STATEMENT

On September 15, 1999, the Commission issued a Policy Statement to provide guidance regarding the evaluation of applications to certificate new construction.⁵⁸ The Construction Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. In deciding whether to authorize the construction of major new pipeline facilities, the Commission, under the Construction Policy Statement, will balance the public benefits created by the proposed project against the potentially adverse consequences that could result from the project. Pursuant to this balancing process, the Commission has stated that its goal is to give appropriate consideration to

⁵⁸ Supra n. 14.

the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.⁵⁹

Pursuant to the Construction Policy Statement, the threshold requirement for a pipeline proposing a new project is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. Once the no-subsidization requirement has been demonstrated, the next inquiry under the Commission's Construction Policy Statement is to determine whether the applicant has made efforts to eliminate or minimize any adverse effect the project might have on (1) the applicant's existing customers, (2) existing pipelines in the market and their captive customers, or (3) landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against these residual adverse effects. The Commission has stated that this is essentially an economic test.⁶⁰ Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

As set forth below, the Project meets the threshold requirement and the additional tests set forth in the Construction Policy Statement.

⁵⁹ See Dominion Transmission, Inc., 104 FERC ¶ 61,267, reh'g denied, 105 FERC ¶ 61,350 (2003).

⁶⁰ See Construction Policy Statement, 88 FERC ¶ 61,227, at p. 61,745.

1. No Subsidization by Existing Shippers

Under the Construction Policy Statement, the threshold requirement for certification of major new facilities is a finding that the applicant will financially support the project without relying on subsidization from its existing shippers.⁶¹ This requirement is met by this application. As shown in Exhibit N, the cost of the construction of the 638 miles of new pipeline facilities and compression east from the terminus of REX-West (*i.e.*, the facilities that will make up the entirety of Zone 3 of the Rockies Express pipeline system) are assigned to shippers on REX-East. Most of the REX-East/Zone 3 shippers are the same shippers on the Rockies Express Certificated Facilities. These shippers have independently signed contracts in an open season that support rates and deliveries to points in Zone 3. Finally, as set forth in Exhibit N, the recourse rates developed for Zone 3 are derived from the costs of the Zone 3 facilities. Thus, shippers in Zone 3 pay only Zone 3 facility costs, as applicable.

The Project costs associated with additional compression in Zones 1 and 2 enhances the transportation options of the shippers in those zones. As a result of the new capacity added, the incremental costs of the added compression facilities are less than the revenues generated on new contract quantities. Accordingly, existing shippers on the Rockies Express Certificated Facilities will not subsidize the roll-in of those facilities in future ratemaking proceedings. Accordingly, no subsidies from Zones 1 or 2 shippers will result. REX-East, therefore, meets the threshold requirements of the Commission's Construction Policy Statement.

⁶¹ Williston Basin Interstate Pipeline Co., 103 FERC ¶ 61,269 at P 21 (2003).

2. Effect of the Project on Other Constituent Groups

A. Existing Shippers

Rockies Express currently has one primary existing shipper on its facilities that have been completed and are operating. Upon completion of REX-West, Rockies Express will have twelve "existing shippers." All of these shippers also will be shippers on REX-East. The REX-East pipeline, when completed, will provide new transportation and market opportunities for all the existing shippers on the Rockies Express system, as shown by the shippers' willingness to commit to extend their transportation paths from deliveries on REX-West to new markets and deliveries on REX-East. Accordingly REX-East will have no adverse effect on existing shippers.

B. Other Pipelines in the Market and Their Customers

Rockies Express believes that there are no adverse impacts on existing pipelines in the market and their captive customers. From a design standpoint, REX-East is designed to complement and enhance the existing interstate and intrastate pipeline infrastructure across the Midwest and eastern United States. Specifically, REX-East, as proposed, will have 20 interconnects with pipelines and local distribution companies (LDCs). The interconnecting pipelines and LDCs and their customers will gain access to large amounts of newly developed, competitive gas reserves from the west. The introduction of new competitive supplies will serve to moderate the price of gas while, at the same time, offering supply flexibility to consumers. Accordingly, Rockies Express believes that even if there were potentially adverse effects on other pipelines or their captive customers, these would be

outweighed by the availability of new Rocky Mountain gas supplies for diversity and reliability, as well as competition in price among accessible supply sources.⁶²

C. Private Landowners

The majority of the Project route will parallel existing utility corridor right-of-way. Also, as noted above, Rockies Express has participated in the pre-filing process and worked diligently to make information readily available and to listen to landowner questions and concerns. Rockies Express also has worked with landowners to address their concerns and made design changes to the extent feasible. Rockies Express will seek to acquire necessary right-of-way by negotiation where possible and to minimize reliance on eminent domain. Accordingly, Rockies Express believes its facilities and its outreach efforts have been designed in a manner to maximize information and education and to minimize the impact on landowners and the environment.

3. Benefits Analysis

As noted above, under the Construction Policy Statement, the Commission will evaluate a proposed project by balancing the evidence of public benefits to be achieved against the residual adverse effects. REX-East meets this test.

The public benefits of this Project are discussed throughout this application, including the benefits of a larger, more competitive supply pool for customers, the extension and expansion of new base infrastructure to transport gas out of the Rockies, and support for the greater use of clean-burning natural gas for the environment. The enthusiastic support by Rockies Express's shippers attests to the need for this capacity. Indeed, the Commission itself has noted the limited transport

⁶² The Commission has recognized that it need not protect competitors from competition. Instead the goal is to ensure fair competition. Construction Policy Statement, 88 FERC ¶ 61,227 at p. 61,748.

capacity out of the Rocky Mountain producing area. When the benefits are considered, it is clear that they far outweigh any potentially adverse impact from the proposal. The Commission, therefore, should find that the Project meets the requirements of the Construction Policy Statement and should be approved.

XII. PUBLIC CONVENIENCE AND NECESSITY

The REX-East facilities that are proposed here represent the culmination of an extraordinary joint effort by producers and Rockies Express to construct new facilities -- complementing existing facilities -- to provide consumers with access to new, competitive supplies of gas from the Rocky Mountains. The addition of this third, significant segment of pipeline infrastructure to the Rockies Express pipeline system allows consumers in the east and across the heartland of the United States to reap the benefits of this effort.⁶³ Specifically, the REX-East Project completes the link of Rocky Mountain supply directly to major natural gas consuming markets in the States of Illinois, Indiana and Ohio. According to the Energy Information Administration's most recent State Energy Profiles, these states represent 11.5% of all U.S. natural gas consumption.⁶⁴ Natural gas demand may increase further with Illinois, a leading state in the production of ethanol from corn and natural gas, and with Indiana and Ohio currently generating most of their power needs from coal. These are clearly the fundamental drivers for shippers who have overwhelmingly chosen to extend their transportation paths from Audrain County, Missouri to Clarington, Ohio. The importance of the REX-East Project in completing the link

⁶³ As shown by the number of proposed REX-East delivery points to interstate pipelines and LDCs, all sectors of the consumer group's benefit from the Project.

⁶⁴ These four states account for 21.11% of U.S. natural gas residential use, 16.29% of U.S. natural gas commercial use, and 13.1% of U.S. natural gas industrial use. Energy Info. Admin, Dept. of Energy, State Energy Profiles, <http://tonto.eia.doe.gov/state>, and Share of Total U.S. Natural Gas Delivered to Consumers, http://tonto.eia.doe.gov/dnav/ng/ng_phs_dc_u_nus_a.htm (last visited April 27, 2007).

between Rocky Mountain supply markets and major natural gas demand markets is clear; consumers will realize greater reliability of supply, more price competition, and the increased ability to utilize a clean-burning source of energy.

Construction of REX-East is consistent with Commission policy. In its 2006 State of the Markets Report, the Commission notes that pipeline take-away capacity in the Rocky Mountains supply basins has not kept pace with production, to the extent that even a small pipeline outage can lead to severe price volatility in the area.⁶⁵ The report acknowledges that market participants such as Rockies Express are responding to the need for more capacity in the area with “incremental pipeline projects in various stages of development.”⁶⁶ The benefits of this Project, therefore, satisfy the heart of the Commission’s inquiry into the public convenience and necessity, particularly where Rockies Express has sought, in every respect, to minimize its disturbance of the environment. The Project, accordingly, should be approved.

The Rockies Express pipeline benefits producers in the Rocky Mountain region. With this third installment of the Rockies Express pipeline system, nearly two trillion cubic feet of Rocky Mountain gas that was stranded or traded at hubs with limited access to Midwestern and Eastern markets now will have access to 20 delivery points and markets in Illinois, Indiana and Ohio. Moreover, consumers across the nation will benefit from access to new, reliable, long-lived and prolific supplies of domestic natural gas.

⁶⁵ Federal Energy Regulatory Commission, 2006 State of the Markets Report at 26.

⁶⁶ *Id.* at 27. See also Inside FERC, New Rockies Express Pipeline Segment Has Immediate Impact on Eastbound Gas Flows, Feb. 26, 2007 at 14 (“Market Players have pinned high hopes on REX as the answer for devalued Rocky Mountain gas supply, and development holds the potential for the biggest impact on North America gas markets in the next several years”)

The ramp-up of the existing facilities of Rockies Express from 1,500,000 Dth/day to 1,800,000 Dth/day, and the ability to deliver that gas to more eastern markets will have positive effects on the entire U.S. gas market. Specifically, consumers and shippers will have a larger supply portfolio from which to purchase gas and more transportation options. With the construction of REX-East, for instance, 20 interconnects with pipelines and LDCs will provide customers access to competitive Rocky Mountain gas. Moreover, expanding the existing facilities of Rockies Express reduces the nation's dependence on supplies originating from the deep water Gulf of Mexico and or from imports of liquefied natural gas being brought into Gulf Coast terminals, both of which are subject to weather and other contingencies.

States and communities along the proposed REX-East route stand to benefit economically from the Project. The expected increased production in the Rocky Mountain area will result in state and local governments in Wyoming and Colorado seeing increased revenues from royalty payments and ad valorem taxes. Furthermore, 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 REX-East, will benefit communities in Wyoming, Colorado, Nebraska, Kansas, Missouri, Illinois, Indiana and Ohio. The availability of new supplies of natural gas and pipeline infrastructure to transport it underpin economic development in the heavily industrial states of Illinois, Indiana and Ohio.

The proposed REX-East facilities have been designed, and will be constructed and operated, in a manner that will seek to minimize environmental impacts. The majority of the new facilities proposed to be constructed will parallel existing utility corridor right-of-way. Rockies Express has worked diligently during the pre-filing process to address environmental issues and community concerns. The Environmental Report, submitted as Exhibit F-I to this application, demonstrates that Rockies Express has addressed, and taken measures to minimize, any adverse environmental impacts from the Project.

The expansion of Rockies Express' facilities also correlates with increased environmental concerns about global warming. Natural gas contains the least amount of carbon, per unit of energy, of any fossil fuel⁶⁷ As a source of energy, therefore, natural gas is recognized by the environmental community as a preferred source among fossil fuels.⁶⁸ The expansion proposed by this application will help to maximize the use of natural gas consistent with environmental priorities for both criteria air pollutants and climate change.

Accordingly, when the benefits from REX-East to U.S. gas consumers, producers and shippers are all considered, along with the effort to minimize the Project's impact on the environment, Rockies Express submits that the Project is required by the present and future public convenience and necessity and that the instant application should be approved within the timetable proposed.

⁶⁷ Office of Integrated Analysis and Forecasting, Energy Info. Admin., U.S. Dept. of Energy, Publ'n No. DOE/EIA-0638 (2004) Documentation for Emissions of Greenhouse Gases in the United States 2004 Table 6-1, pg. 187 (Dec. 2006), *available at* [www.eia.doe.gov/oiaf/1605/ggrpt/documentation/pdf/0638\(2004\).pdf](http://www.eia.doe.gov/oiaf/1605/ggrpt/documentation/pdf/0638(2004).pdf).

⁶⁸ See Natural Resources Defense Council, A Responsible Energy Plan for America 17 (Apr. 2005), *available at*: <http://www.nrdc.org/air/energy/rep/rep.pdf>; Environmental Defense, Green Power: The Basics, <http://www.environmentaldefense.org/article.cfm?contentid=5350>.

XIII. ENERGY EFFICIENCY

Rockies Express is aware of the Commission's continued interest in considering the potential for energy efficiency in connection with major pipeline infrastructure projects.

As it did for REX-West, Rockies Express has designed the REX-East facilities to enhance operational efficiencies. Rockies Express will utilize internal pipe coating to optimize fuel consumption and will use compressor units that were selected for overall efficiency and to meet applicable air and noise requirements. As on REX-West, Rockies Express is installing electric drive turbines, gas driven reciprocals and gas driven turbines, the latter being the units that offer the opportunity for heat recovery. Rockies Express will rely on state of the art measuring equipment and will employ a rigorous maintenance schedule to maintain pipeline efficiency.

Rockies Express has also continued to explore the commercial potential for waste heat recovery on its system. In its order of April 19, 2007, in the REX-West proceeding, the Commission stated that it would like to know the results of these efforts and also directed Rockies Express to file annual information on what it learns during its first three years of service. Rockies Express will respond to the Commission's request for updated information on REX-West and is in the process of compiling information to be provided in the very near future. That filing will include a discussion of the potential for waste heat recovery on REX-East as well.

XIV. WAIVER

Pursuant to Rules 801 and 802 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.801 and 385.802 (2006), Rockies Express requests that

the Commission's shortened procedures be applied to this application. Accordingly, Rockies Express requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission. As set forth under these procedures, the decision of the Commission will be final, yet subject to reconsideration by the Commission upon request for rehearing, as provided by statute.

XV. EXHIBITS

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

Exhibit A – Articles of Incorporation and Bylaws

Rockies Express requests the incorporation by reference of Exhibit A to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit B – State Authorization

Rockies Express requests the incorporation by reference of Exhibit B to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit C – Company Officials

Attached as part of this Volume 1.

Exhibit D – Subsidiaries and Affiliation

Attached as part of this Volume 1.

Exhibit E – Other Pending Applications and Filings

There are no applications or filings made by Rockies Express with and now pending before this Commission that directly and significantly affects this application. This exhibit is therefore omitted.

Exhibit F – Location of Facilities

Attached as part of this Volume 1.

Exhibit F-I – Environmental Report

Attached as Volumes 2, 3, 4 and 6.

Exhibit G/G-I – Flow Diagrams

Attached as part of Volume 5.

Exhibit G-II – Flow Diagram Data

Attached as part of Volume 5.

Exhibit H – Total Gas Supply Data

Rockies Express requests the incorporation by reference of Exhibit H to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit I – Market Data

Rockies Express requests the incorporation by reference of Exhibit I to its application filed May 31, 2006, as supplemented on July 28, 2006, at Docket No. CP06-354-000, and as supplemented coincident with this filing.

Exhibit J – Federal Authorization

Attached hereto as part of this Volume 1.

Exhibit K – Cost of Facilities

Attached hereto as part of this Volume 1.

Exhibit L – Financing

Attached hereto as part of this Volume 1.

Exhibit M – Construction, Operation and Management

Rockies Express requests the incorporation by reference of Exhibit M to its application filed May 31, 2006 at Docket No. CP06-354-000.

Exhibit N – Revenues-Expenses-Income

Attached hereto as part of this Volume 1.

Exhibit O – Depreciation and Depletion

Attached hereto as part of this Volume 1.

Exhibit P – Tariff

Attached hereto as part of this Volume 1 are (i) schedules and work papers supporting the maximum recourse rates for Zone 3 and initial FL&U rates for Zones 1, 2 and 3; and (ii) the *pro forma* tariff sheets to effectuate the new proposed Zone 3 rates. Not less than 30 days and not more than 60 days prior to the commencement of service of the facilities proposed herein, Rockies Express will file the attached *pro forma* tariff sheets for inclusion in Rockies Express' Second Revised Volume No. 1 Tariff. .

**XVI.
FEDERAL REGISTER NOTICE**

Appended hereto is a notice, prepared in conformity with Sections 2.1 and 157.6(b)(7) of the Commission's Regulations, 18 C.F.R. §§ 2.1 and 157.6(b)(7) (2006), suitable for publication in the Federal Register.

**XVII.
CONCLUSION**

WHEREFORE, Rockies Express Pipeline LLC, respectfully requests a certificate of public convenience and necessity, pursuant to Section 7(c) of the NGA, to construct and operate the Project as described herein.

Respectfully submitted,

ROCKIES EXPRESS PIPELINE LLC

By _____
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Dated: April 30, 2007

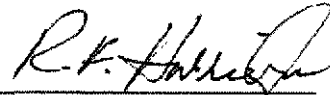
VERIFICATION

DISTRICT OF COLUMBIA

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SS

Robert F. Harrington, being duly sworn upon his oath says: that he is Vice President of Regulatory for Rockies Express Pipeline LLC; that he has read the foregoing application and has personal knowledge of the matters herein set forth; that the facts herein stated are true to the best of his knowledge, information, and belief; and that the paper copy of the foregoing filing contains the same information on the electronic version.



Robert F. Harrington

SUBSCRIBED AND SWORN to before me this 30th day of April, 2007.



Linda R. Madison

Notary Public, D.C.

My Commission expires:
November 14, 2007

(SEAL)