

# BINDING OPEN SEASON



Rockies Express Pipeline Cheyenne Hub Enhancement

## **REX Cheyenne Hub Enhancement**

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Rockies Express Pipeline LLC (“REX”) is pleased to announce a binding open season (“Open Season”) for natural gas market participants to bring gas into REX at the Cheyenne Hub (“REX Cheyenne Hub”) and deliver gas to numerous delivery interconnects which provide take-away options with the ability to access markets across the country.

REX is accepting binding bids for a new firm Hub Service at the REX Cheyenne Hub which will be provided through installation of receipt booster compression, header piping modifications and interconnect modifications (the “Project”). This service will be provided under a new C-Hub Rate Schedule in the REX Tariff (the “Tariff”). This announcement provides a description of the Project, applicable terms and conditions of service, the bid submission deadline, bid guidelines, bid evaluation and award process and other relevant information concerning the Open Season. It is currently anticipated that the REX Cheyenne Hub would have an in-service date in Q3 2019.

### **Project Description**

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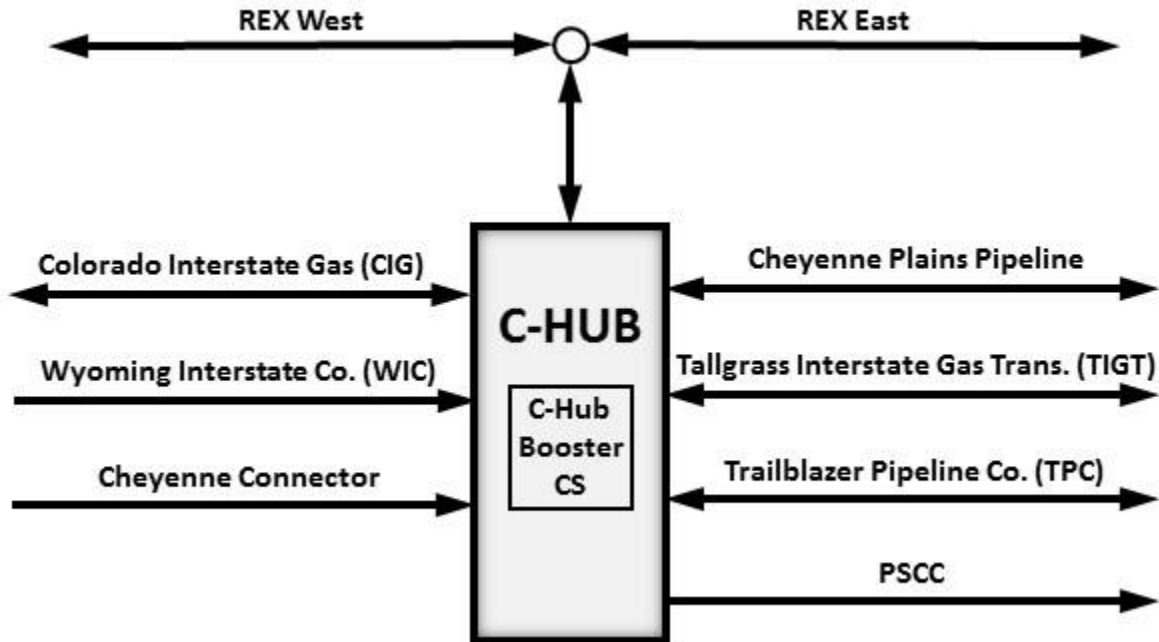
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The Project will consist of the installation of approximately 15,000 hp of new booster compression that will allow gas to be received at the REX Cheyenne Hub. Additionally, REX will complete modifications of the current header system, as well as modifications to convert existing interconnects to have bi-directional capabilities, providing shippers with firm access between receipt and delivery interconnects described below. These modifications will provide shippers with flexibility, reliability, diversity and optionality not available anywhere else in the Rocky Mountain region. The Project does not involve transportation on the REX mainline.

The Project has an anticipated capacity of between 600 MDth/d and 1,300 MDth/d, of which REX currently has 600 MDth/d committed from certain pre-arranged Base Shippers (defined herein). It is currently anticipated that the Project would have an in-service date in Q3 2019, subject to the timely receipt of a Federal Energy Regulatory Commission (“FERC”) certificate of public convenience and necessity authorizing construction and operation of the Project, as well as all other applicable permits and approvals.

**BINDING OPEN SEASON – REX CHEYENNE HUB ENHANCEMENT**

The REX Cheyenne Hub will be capable of moving gas between multiple pipelines serving both western and eastern markets of the United States. The REX Cheyenne Hub will have access to the REX mainline (east & west bound), Tallgrass Interstate Gas Transmission (TIGT), Trailblazer (TPC), Cheyenne Plains, Colorado Interstate Gas (CIG), Public Service Company of Colorado (PSCC), Wyoming Interstate Company (WIC) pipelines and the future Cheyenne Connector (for additional information about the Cheyenne Connector pipeline, please use the following link, <http://www.tallgrassenergyllp.com/Pipelines/CheyenneConnector/>).



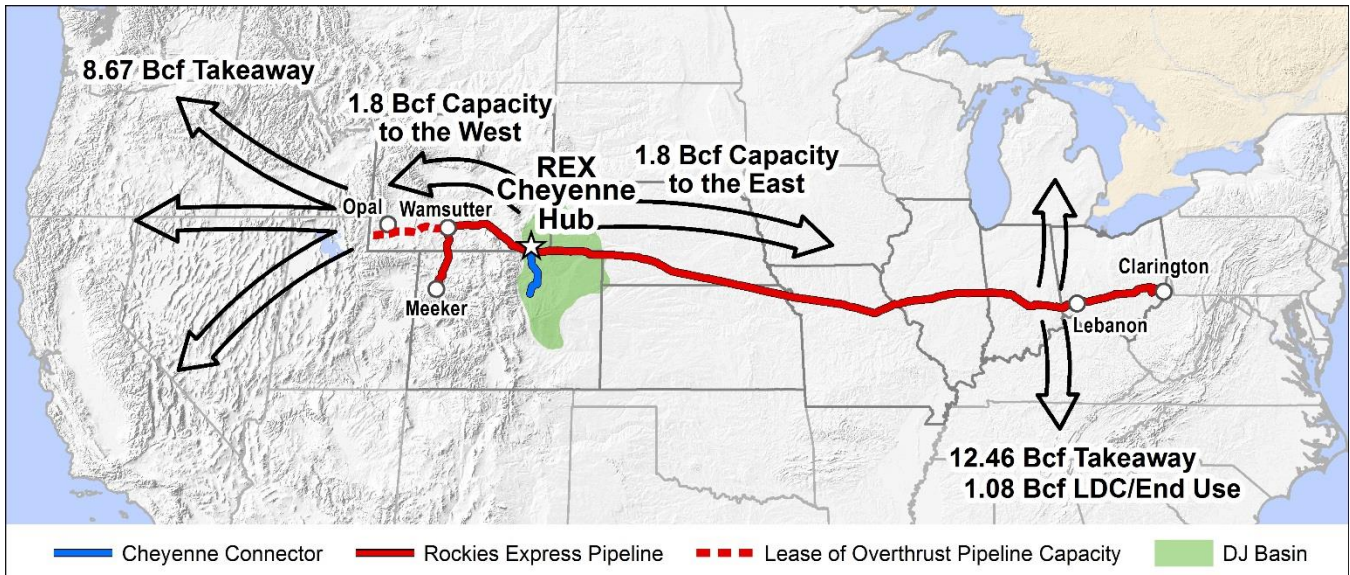
<b>Anticipated REX Cheyenne Hub Point Capacity</b>		
<b>Interconnecting Party</b>	<b>Receipt Capacity (Dth/d)</b>	<b>Delivery Capacity (Dth/d)</b>
REX Cheyenne Hub Pool (PIN 43492)	Paper pooling point	
REX West Mainline	1,800,000	1,800,000
REX East Mainline	1,800,000	1,800,000
TIGT (PIN 44619)	60,000	86,600
TRAILBLAZER (PIN 42717)	620,000	860,000
CHEYENNE PLAINS (PIN 42718)	712,195	730,000
CIG (PIN 42525)	530,000	600,000
WIC (PIN 42722)	87,500	NA
PSCC (PIN 42716)	NA	200,000
CHEYENNE CONNECTOR (Future)	600,000	NA

## **Service Rates Applicable to REX Cheyenne Hub**

Reservation rates for service on the Project will be the maximum reservation rate stated in REX's Tariff for service under Rate Schedule C-HUB, as it may be amended, unless otherwise agreed to in writing. For the current Project scope, the maximum recourse reservation rate is currently estimated to be \$2.72829 per Dth per month. Prospective bidders should note that the actual recourse rate may change based on the final Project scope and subscriptions, as well as FERC approval of said rate. Service under Rate Schedule C-HUB will be subject to a separately stated fuel and lost and unaccounted for ("FL&U") rate for the Project (currently projected to be 0.5% for in-kind fuel retainage and \$0.0017 per Dth/d for Power Cost Charges ("PCT")), subject to FERC approval of the same and annual adjustment thereafter pursuant to REX's Tariff annual true-up mechanism. Shippers utilizing the Project facilities will pay reservation rates, FL&U, PCT, as well as all other applicable fees and surcharges stated in REX's Tariff.

## **Interconnects and Market Access**

The Project will also provide market participants with access to REX at the Cheyenne Hub. This access has previously been limited by the high operating pressure of the REX pipeline. Shippers on the REX mainline have access to 36 physical delivery points comprised of 10 LDCs/End-use markets and 26 interstate pipeline delivery points. These interconnects provide shippers with access (through a separate mainline transportation agreement) to attractive western US markets, Midwest markets, such as Chicago and Detroit, as well as traditional Gulf Coast and Southeast markets.



## **Pre-arranged Bidder Terms**

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REX has secured binding financial commitments (in the form of Precedent Agreements to execute long-term negotiated rate firm C-HUB contracts) from two pre-arranged bidders sufficient to proceed with the Project, each subject to the following terms:

- i. Maximum Daily Quantity (“MDQ”): 300,000 Dth/d;
- ii. Primary Receipt Point: REX/Cheyenne Connector (PIN TBD);
- iii. Primary Delivery Point: REX Cheyenne Hub Pool (PIN 43492);
- iv. Effective Date: The in-service date of the REX Cheyenne Hub Enhancement, which is currently anticipated to be in Q3 2019 (the “In-Service Date”);
- v. Primary Term: 10 years;
- vi. Monthly Negotiated Reservation Rate: \$1.24708 per Dth of MDQ (\$0.0410 per Dth/d on a 100% load factor basis); and
- vii. Volumetric adder of \$0.01 for secondary deliveries to REX/TPC Lone Tree (PIN 42717), REX/TIGT (PIN 44619), REX/PSCC (PIN 42716), REX/CIG Crazy Horse (PIN 42525), REX/Cheyenne Plains Crazy Bear (PIN 42718).

Please note that the pre-arranged bidders have the right to match higher bids as described below in the Bid Evaluation and Award Process in order to maintain the MDQ of their commitment to the Project.

In addition, based on the pre-arranged bidders’ volume, rate, and term commitments to the Project, the pre-arranged bidders currently would qualify as “Base Shippers.” In order to qualify as a Base Shipper, a shipper must be awarded at least 275,000 Dth/d of firm capacity in this Open Season for a reservation rate at least as high as \$1.24708 per Dth per month, and the shipper must maintain a MDQ of at least 275,000 Dth/d of capacity and not have defaulted on its obligations under its Precedent Agreement and all applicable service agreements for service on the Project. Base Shippers will be granted contractual roll-over and ROFR rights.

With the exception of the reservation rate applicable to a negotiated rate bid, all transportation rates, including recourse rate reservation bids, commodity, Fuel and Lost and Unaccounted For (“FL&U”), PCT, and such other applicable fees and surcharges, will be subject to the approved and effective Tariff rates and surcharges for firm transportation service on the Project during the primary term of the contract and any extension thereof.

## **Conforming Bid Requirements**

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All bids submitted in this Open Season will be considered binding on the bidder. Therefore, by submitting a bid in this Open Season, each bidder agrees it will execute a binding Precedent Agreement within ten (10) days after receiving a copy for execution by REX (a draft copy of which can be requested by email to [REXOpenSeason@tallgrassenergyllp.com](mailto:REXOpenSeason@tallgrassenergyllp.com)). Prospective Open Season bidders should note that REX reserves the right not to accept any proposed changes to the form of Precedent Agreement. Each shipper awarded capacity in this Open Season will be required to establish credit with REX in a manner consistent with the binding Precedent Agreement. REX reserves the right to consider only Conforming Bids in this Open Season. In order to qualify as a “Conforming Bid” a bid must be submitted before the Open Season Bid Submission Deadline (as defined herein) and must meet each of the following minimum criteria:

- i. Maximum Daily Quantity (“MDQ”) between 10,000 Dth/d and 1,300,000 Dth/d;
- ii. Required minimum primary term of ten (10) years commencing on the In-Service Date;
- iii. Monthly negotiated reservation rate at least \$1.24708 per Dth of MDQ (\$0.0410 per Dth per day on a 100% load factor basis). Alternatively, prospective bidders may elect the applicable maximum Tariff recourse rate (i.e., the “max” rate) currently estimated to be \$2.72829 per Dth per month;
- iv. Primary Receipt Point(s): Designated physical point(s) of receipt into REX Cheyenne Hub as described above or future point; and
- v. Primary Delivery Point: REX Cheyenne Hub Pool (PIN 43492).

Open Season bids failing to meet all of these minimum criteria will be deemed “Non-conforming Bids” and REX shall have no obligation to consider Non-conforming Bids in this Open Season. REX reserves the right (i) to reject bids that are Non-conforming Bids; (ii) not to award capacity for any bid received at less than the applicable maximum (i.e. recourse) rate; and (iii) to aggregate acceptable bids (including bids with prorated capacity, to the extent applicable) to determine the highest aggregate Net Present Value (“NPV”) to REX. REX may, but is not required to, consider Non-conforming Bids if acceptable to REX in its sole discretion. This acceptance process will be conducted in a not unduly discriminatory manner.

REX will award capacity in this Open Season based on the NPV of acceptable valid bids received by REX. For the purpose of this Open Season, the NPV of each bid shall be calculated utilizing a discount factor of 3.96% applied to the bid recourse or negotiated reservation rate and the bid MDQ. Bids of negotiated rates exceeding the applicable recourse rate shall be evaluated at the maximum rate only.



## **BINDING OPEN SEASON – REX CHEYENNE HUB ENHANCEMENT**

Please note, REX will treat Open Season bids as confidential, and will not disclose bid information except as required by applicable law or regulation and as necessary to effectuate the pre-arranged bidder right to match without disclosing the Open Season bidder's identity.

In addition to the bid reservation rate for the primary term, bidders shall also pay all other approved Tariff rates and charges, including without limitation, commodity rates, ACA, FL&U, PCT, and other applicable surcharges. Except as to negotiated reservation rates for service on the Project, all services shall be assessed rates per the Tariff, as approved and may be amended from time to time. Such Tariff rates may include applicable incremental charges for lateral, booster and other mainline transportation services.

Each shipper awarded capacity in this Open Season will be bound by, and required to comply with, the Tariff, as it may be amended from time to time, including but not limited to the General Terms and Conditions, all service agreements executed between shipper and REX, and all applicable rate schedules. In addition, shippers will be required to execute and comply with ancillary documents typically required of all REX shippers (e.g., user access forms for CONNECT).

To participate in this Open Season, prospective shippers should complete an Open Season Bid Form. In the event that REX receives binding bids in the Open Season that, together with the pre-arranged shipper bids, result in a total aggregate capacity exceeding 600,000 Dth/d, REX may, but is not obligated to, expand the capacity of the Project to accommodate some or all of the requested capacity in excess of 600,000 Dth/d.

### **Open Season Deadline**

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This Open Season will begin at 1:00 p.m. Central Time ("CST") on September 12, 2017. Interested parties are advised to submit their completed Open Season Bid Form(s) by 4:00 p.m. Central Time ("CST") on September 26, 2017. REX reserves the right to amend, revise or extend the duration of the Open Season by providing notice on its Electronic Bulletin Board.

Bidders will be contacted by REX no later than 4:00 p.m. CST on Friday, September 29, 2017. ALL BIDS RECEIVED WILL BE CONSIDERED BINDING.

### **Contact**

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REX welcomes your binding bid in the REX Cheyenne Hub Enhancement Open Season. Please feel free to contact us to further discuss this Open Season by submitting questions in writing to [REXOpenSeason@tallgrassenergyllp.com](mailto:REXOpenSeason@tallgrassenergyllp.com).

## REX CHEYENNE HUB ENHANCEMENT OPEN SEASON BID FORM

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COMPANY NAME: \_\_\_\_\_

CONTACT NAME: \_\_\_\_\_ CONTACT PHONE #: \_\_\_\_\_

CONTACT E-MAIL ADDRESS: \_\_\_\_\_

TOTAL REQUESTED TRANSPORTATION QUANTITY: \_\_\_\_\_ Dth/d

TERM START DATE: \_\_\_\_\_ TERM END DATE: \_\_\_\_\_

MONTHLY NEGOTIATED RESERVATION RATE:

\$ \_\_\_\_\_ /DTH PER MONTH

- OR -

MARK HERE \_\_\_\_\_ IF ELECTING TO PAY THE APPLICABLE TARIFF  
RECOURSE RATE CURRENTLY ESTIMATED TO BE \$2.72829 PER DTH PER  
MONTH (I.E., THE “MAX” RATE)

PLEASE WRITE IN REQUESTED RECEIPT AND DELIVERY POINT(S) AND INCLUDE  
VOLUME ON THE LINE NEXT TO EACH SELECTION.

RECEIPT NAME (PIN)	DELIVERY NAME (PIN)	VOLUME (Dth/d)

ALL PROSPECTIVE BIDDERS MUST EMAIL BIDS BY 4:00 P.M. CST ON SEPTEMBER  
26, 2017 TO [REXOpenSeason@tallgrassenergyllp.com](mailto:REXOpenSeason@tallgrassenergyllp.com). BIDDERS WILL BE CONTACTED BY  
REX NO LATER THAN 4:00 P.M. CST ON FRIDAY, SEPTEMBER 29, 2017.

**BY SIGNING BELOW, THE BIDDER ACKNOWLEDGES THAT IT IS SUBMITTING A  
BINDING BID IN THE OPEN SEASON AND IT REPRESENTS AND WARRANTS THAT IT  
IS DULY AUTHORIZED TO DO SO.**

**SIGNATURE** \_\_\_\_\_

**NAME** \_\_\_\_\_

**TITLE** \_\_\_\_\_