

## Ruby Pipeline Gets Del. Ch. 11 Plan, Tallgrass Sale OK

By **Jeff Montgomery**

Law360 (January 13, 2023, 2:36 PM EST) -- Ruby Pipeline eased through a bankruptcy court confirmation hearing in Delaware on Friday with plans for a same-day sale closing on settlement terms made possible by a compromise in July that averted a multi-day trial on challenges to the debtors' case control and timelines.

Sunny Singh of Weil Gotshal & Manges LLP, counsel to the debtors, told U.S. Bankruptcy Judge Craig T. Goldblatt that the debtors would press for same-day closing with Houston-based Tallgrass Energy Partners LP in order to avoid a \$100,000 per day interest charge that continues to run against the estate.

Tallgrass won auction bidding for the 683-mile pipeline in December, beating out an offer from an affiliate of Kinder Morgan Inc., which, until the bankruptcy, controlled Ruby Pipeline in a joint venture with Pembina Pipeline Corp.

"We had a very successful auction in December that generated significant proceeds that have allowed us to resolve all of the disputes in this case and proceed on a fully consensual basis," Singh told the judge.

"We are prepared to close with Tallgrass and intend to do exactly that, including making a distribution today to the noteholders so we can stop the interest burn," Singh said. "The purchase price formula under the [Tallgrass] investment agreement pegs the investment price based on obligations on the closing date."

The winning auction bid includes a \$282.5 million Tallgrass cash payment in addition to payments sufficient to cover a \$475 million recovery for unsecured notes and an \$18.5 million fractional recovery for holders of \$242.5 million in subordinated notes.

Those obligations would be offset by a \$135 million payment from Kinder Morgan and Pembina and \$162.8 million in cash held by the debtor to settle claims that both received quarterly payments while the business was insolvent. That deal, reached in December, averted a potential clawback fight from creditors.

Buyer Tallgrass is owned by an investor group led by Blackstone Infrastructure Partners, and that includes Spain's Enagás SA, GIC, NPS and USS. It operates 8,300 miles of natural gas pipeline, more than 850 miles of crude pipeline, and more than 300 miles of water pipeline.

Ruby Pipeline's network stretches 683 miles from the Opal Hub in southwestern Wyoming to the Malin Hub in Southern Oregon.

The company retreated into bankruptcy after the 2021 expiration of a dozen customer commitments, affecting 70% of the pipeline's daily capacity of 1.5 billion cubic feet.

Plan agreements approved Friday include a \$14 million payment from Tallgrass to the estate for receivables that are not expected until Jan. 20. Tallgrass agreed to buy the receivables to provide additional cash to the estate.

Judge Goldblatt recalled that the court was poised in July for a four-day trial, noting, "We've got a situation in which, thanks to a marketing process, the assets are being put to their highest and best use and proceeds are being distributed in accordance with a bankruptcy plan."

Weeks after the start of the case, the committee of unsecured creditors sought court termination of Ruby Pipeline's ordinary, 120-day window for exclusive control of the Chapter 11 case.

The committee argued that Ruby's equity sponsors were using the Chapter 11 to maintain control while avoiding payment on the notes. An ad hoc group of noteholders sided with the unsecured creditors, with the fight ending after the pre-trial compromise.

Ruby Pipeline is represented by Kevin Gross, Daniel J. DeFranceschi, John H. Knight, Cory D. Kandestin, Brendan J. Schlauch, David T. Queroli and J. Zachary Noble of Richards Layton & Finger PA and Ray C. Schrock, Sunny Singh and Jared R. Friedmann of Weil Gotshal & Manges LLP.

Kinder Morgan is represented by Joseph J. Farnan Jr. and Michael J. Farnan of Farnan LLP and Thomas Lauria, Michael Shepherd, Laura Femino and Samuel Kava of White & Case LLP.

Pembina is represented by Michael R. Nestor, Kara Hammond Coyle, Allison S. Mielke and Joshua B. Brooks of Young Conaway Stargatt & Taylor LLP and Adam J. Goldberg, William O. Reckler, Blake T. Denton and Shawn P. Hansen of Latham & Watkins LLP.

The creditor committee is represented by Robert J. Stark, Michael Winograd, D. Cameron Moxley and Andrew M. Carty of Brown Rudnick LLP and Jennifer R. Hoover, Kevin M. Capuzzi and John C. Gentile of Benesch Friedlander Coplan & Aronoff LLP.

The Office of the U.S. Trustee is represented in-house by Timothy J. Fox Jr.

The case is In re: Ruby Pipeline LLC, case number 1:22-bk-10278, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Rick Archer, Leslie Pappas, Brian Steele and Vince Sullivan. Editing by Alyssa Miller.