

FILED

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

JUN 29 2006

MICHIGAN PUBLIC
SERVICE COMMISSION

In the matter of the application of Major
Pipeline LLC, for authority to construct and
operate the Sawdust Pipeline in Corwith
Township, Otsego County, Michigan.

Case No.

U-14938

APPLICATION

Major Pipeline LLC, ("Applicant") respectfully represents to the Michigan Public Service Commission ("Commission") as follows:

1. Applicant is a Michigan limited liability company with an office located at 25 **Ionia** Avenue, S.W., Suite 210, Grand Rapids, Michigan 49503-4179. Applicant has previously installed and currently operates numerous pipelines for the transportation of natural gas in the state of Michigan among others.

2. Pursuant to 1929 PA 9, Section 9, as amended, Applicant is seeking Commission approval for the construction and operation of a natural gas pipeline in the state of Michigan. This pipeline, hereinafter referred to as the Sawdust Pipeline, is a 4%-inch O.D. steel pipeline, approximately 5.95 miles in total length. The proposed Sawdust Pipeline originates at **Schmude** Oil Company Song Of The Morning Ranch project in the **NW/4** of the **NE/4** of Section 19, T32N, R1W, **Corwith** Township, Otsego County, Michigan. From the CPF, the Sawdust Pipeline will proceed in a generally northerly direction along the existing driveway into the Song Of The Morning Ranch in Sections 18 and 19, **until** it intersects with Sturgeon Valley Road. The proposed pipeline will follow

Sturgeon Valley Road west approximately **5.35** miles to the point of ending in the **NW/4** of Section 29 of Corwith Township, **T32N, R2W**. At that point the Sawdust Pipeline will connect with the Green Timbers Pipeline, also owned and operated by Major Pipeline LLC. Exhibit A, attached hereto and made a part hereof, is a map showing the general location of the Sawdust Pipeline.

3. Exploration and development activities for hydrocarbon production in the area to be served by the Sawdust Pipeline is in process. At present Applicant believes that approximately 520 **Mcf/d** will be initially delivered and, dependent upon the success of prudent operations and other factors, ultimately volumes near or in excess of 1,100 **Mcf/d** may be delivered. Applicant estimates that the Sawdust Pipeline will transport at least 5.475 Bcf over the next 20 years.

4. The purpose of installing and operating the Sawdust Pipeline is for **transporting** gas to market. Major Pipeline LLC and Schmude Oil Company are parties to a Long Term Gas Transportation Agreement dated June 20, 2006 (Agreement) attached hereto as Exhibit B.

5. The proposed route of the Sawdust Pipeline will traverse both private land and public road Right of way. Applicant has acquired all private rights-of-way.

6. Exhibit C, attached hereto and made a part hereof, details the general pipe and engineering specifications and the dimensions and characteristics of the Sawdust Pipeline.

7. Exhibit D, attached hereto and made a part hereof, details the **Applicant's** estimate of the costs to install the Sawdust Pipeline and related facilities.

8. Exhibit E, attached hereto and made a part hereof, details an estimate of the volumes of gas to be **transported** along with the operating expenses and revenue for the proposed Sawdust Pipeline for the next five years.

9. Exhibit F, attached hereto and made a part hereof, is Applicant's Environmental Impact Report. Applicant represents that the installation and operation of the Sawdust Pipeline will not result in significant degradation of environmental quality.

10. Applicant's operation and maintenance procedures for the Sawdust Pipeline will be the same as already on file with the Commission for the other pipelines which Applicant has installed and currently operates in the state of Michigan.

11. Applicant represents that it will construct and operate the Sawdust Pipeline in accordance with the requirements of the Michigan Gas Safety Standards and all other applicable federal, state and local laws, **rules** and regulations.

12. The proposed Sawdust Pipeline will, when constructed and in operation, serve the convenience and necessities of the public.

WHEREFORE, Applicant respectfully requests that the Commission:

A. Find and **determine** that Applicant's proposed Sawdust Pipeline and related facilities will serve the public convenience and necessity and that the Commission issue to Applicant the appropriate Certificate of Public Convenience and Necessity authorizing Applicant to **construct** and operate the proposed Sawdust Pipeline.

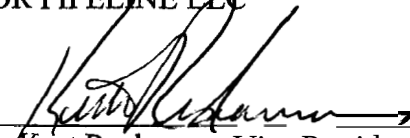
B. Approve the route of the proposed Sawdust Pipeline and the map showing the route, subject, however, to such changes in location as Applicant may **find** necessary upon actual construction.

C. Approve the type of construction for the proposed Sawdust Pipeline and related facilities.

- D.** Approve the transportation rates for the Sawdust Pipeline of \$0.721/Mcf.
- E.** Find that the public interest will be adequately protected without the time and expense involved in a public hearing because Applicant has acquired all private rights-of-way.
- F.** Grant Applicant such other approvals, authorizations and relief as may be **lawful** and proper.

Respectfully submitted,
MAJOR PIPELINE LLC

Dated: 6-29-06

By: 
Kurt Rushmore, Vice President

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of Major Pipeline LLC, for authority to construct and operate the Sawdust Pipeline in **Corwith** Township, Otsego County, Michigan.

VERIFICATION

STATE OF MICHIGAN)
COUNTY OF KENT)

Kurt **Rushmore**, being first duly sworn, deposes and says that he is the Vice President of Major Pipeline LLC, the Applicant herein; that he is authorized to and has executed the foregoing Application; that he has read the same and knows the contents thereof; and that the same are true to the best of his knowledge and belief.

Subscribed and sworn to before me
this ^{29th}~~21st~~ day of June, 2006.

ROBIN M. KOBEL
Notary Public, State of Michigan
County of Ottawa
My Commission Expires Feb. 10, 2012
Acting in the County of Kent

Robin M. Kobel
Robin M. Kobel, Notary Public
Ottawa County, Michigan
Acting in: Kent County, Michigan
My Commission Expires: February 10, 2012

[illegible]

Exhibit B

Sawdust Pipeline Transportation Agreement

**The Following 3 pages of this MPSC Act 9
Certification Filing represent Exhibit B.**

**These 3 pages are the applicable amendment to the existing Long
Term Transportation Agreement between Schmude Oil Company and
Major Pipeline LLC. The entire Agreement can be found as Exhibit B
within case U-14077(Green Timbers Pipeline) (Filed March 16,2004)
(Order Approved: April 28,2004)**

REVISED

EXHIBIT "A"

To The Long Term Gas Transportation Agreement

Dated February 11,2004 Between Schmude Oil, Inc. and Major Pipeline, LLC

<u>Point(s) of Receipt</u>	
<u>Number</u>	<u>Facility / Location</u>
1.	Major's Flange At Shipper's CPF Located In The NE/4, NE/4, NW/4 Of Section 29, Corwith Twp., T32N, R2W, Otsego County, Michigan.
2.	Major's Flange At Shipper's CPF Located In The NE/4, NW/4 Of Section 19, Corwith Twp., T32N, R1W, Otsego County, Michigan.
3.	Major's Point Of Interconnection With The Green Timbers Pipeline Located In The NE/4, NW/4 of Section 29, Corwith Twp., T32N 3.

Approved:

Schmude: _____

Major: _____

June 20,2006

REVISED

EXHIBIT "B"

To The Long Term Gas Transportation Agreement

Dated February 11,2004 Between Schmude Oil. Inc. And Maior Pipeline. LLC

Point(s) of Delivery

<u>Number</u>	<u>Facility / Location</u>
1.	Major's Point Of Interconnection With Quicksilver's Fontinalis Pipeline Located In The SE/4, SE/4, NW/4 Of Section 25, Corwith Twp., T32N, R3W, Otsego County, Michigan.
2.	Major's Point Of Interconnection With The Green Timbers Pipeline Located In The NE/4, NW/4 of Section 29, Corwith Twp., T32N, R2W, Otsego County, Michigan.

Approved:

Schmude: _____

Major: _____

June 20,2006

REVISED

EXHIBIT "C"

To The Long Term Transportation Agreement

Dated February 11,2004 Between Schmude Oil, Inc. and Major Pipeline, L

MDQ, Transportation Charge And Allowable Routing By Pipeline

1. **MDQ**

Green Timbers Pipeline: 5 MMcfd

Sawdust Pipeline: 2.5 MMcfd

2. **Applicable Transportation Charge**

Green Timbers Pipeline: \$0.495 x Volume Of ~~Gas~~ Received In The Month

Sawdust Pipeline: \$0.721 x Volume Of ~~Gas~~ Received In The Month

3. **Allowable Routing**

From	To
<u>Point(s) Of Receipt</u>	<u>Point(s) Of Delivery</u>
Green Timbers Pipeline	
1 & 3	1
Sawdust Pipeline	
2	2

Approved:

Schmude: _____

Major: _____

June 20,2006

Exhibit C

Sawdust Pipeline Pipeline Specifications

1) DESCRIPTION OF PIPELINE ROUTE

The proposed Sawdust Pipeline originates at the Song Of The Morning Ranch CPF owned and operated by Schrnude Oil Company in the NE/4 of the NW/4 of Section 19, T32N,R1W, Corwith Township, Otsego County, Michigan. From the CPF, the Sawdust Pipeline will proceed in a westerly direction approximately 5.95 miles to an interconnect with the Green Timbers Pipeline in Corwith 29, T32N,R2W. No portion of the Sawdust Pipeline will be **constructed** within a) an area within the limits of a city or village; b) a designated residential or commercial area such as a subdivision, business or shopping center, or community development; or c) the property of a school, church, hospital, park or other similar public place.

2) MATERIALS USED IN CONSTRUCTION

A) Pipe Grade	API5L
B) Pipe Outside Diameter	4.5"
C) Wall Thickness	.237
D) Specific Minimum Yield	42,000
E) Joint Type	ERW
F) Joint Length	40-42 feet
G) Joint Coating	Heat shrinkable sleeves
H) Flanged Fittings	600# ANSI
I) Pipe Coating	X-tru coat or similar
J) Threaded Fittings	3,000#

All valves, flanges, fittings, and other components that will be part of the Sawdust Pipeline will have design ratings equal to or greater than required for the maximum operating conditions. All components will be designed and manufactured in accordance with, or exceed, Part 6 of the Michigan Gas Safety Standards.

3) OPERATING DATA

A) Normal Operating Pressure	200 psig
B) Shut In Pressure	1401 psig
C) Ground Cover	30" minimum
D) Ground Cover at ditches	36" minimum
E) Distances from Other Pipelines Crossed	12" minimum

F) Operating Classification	2
G) Paved Road Crossings	1
H) Unpaved Road Crossings	3
I) Creek Crossings	2
J) Railroad Crossings	0

The inlet pressure of the Sawdust Pipeline will vary according to the volume of gas transported, and may reach its maximum allowable operating pressure of 1400 psig.

4) PIPE PRESSURE DESIGN REQUIREMENTS

The pipeline route traverses through areas classified as Class 2. However, a Class 3 design factor was used for calculating the MAOP of the pipeline:

5) ALLOWABLE OPERATING PRESSURE

The pipeline will be hydrostatically tested for eight hours to a minimum pressure of 2,100 psig. The **maximum** allowable pressure of the Sawdust Pipeline would therefore be limited to 1400 psig, based on this test.

6) PLPE FABRICATION AND JOINING SPECIFICATIONS

Welded joints will conform to the standards as outlined in the Michigan Gas Safety Standards. Welders used on the pipeline will be qualified in accordance with API Standards 1104. Welds will be made in accordance with API Standards 1104.

7) TESTING AND INSPECTION OF INSTALLATION

A) Test Medium	Water
B) Minimum Test Pressure	2,100 psig
C) Test Duration	8 hours
D) Pressure Charting Method	Dead Weights with Chart
E) Weld Visual Inspection	100%
F) Weld Joint Radiographic Inspection	75%
G) Pipe Coating Inspection	100%

8) **CORROSION PROTECTION**

The Sawdust Pipeline will be externally coated. In addition, anodes will be installed to comply with Part 11 of the Michigan Gas Safety Standards. Inhibitors will be used if needed.

9) **ROAD CROSSINGS**

All road crossings will be done in compliance with the Michigan Gas Safety Standards. Permits for all road crossings have been applied for as of this filing, and will be received ~~from~~ the proper authorities.

10) **MAPS AND RECORDS**

Maps and records of the exact location of the pipeline, and other details of the construction, will be available to the Commission.

Exhibit D

Sawdust Pipeline Cost Estimate

Pipe, Fittings & Materials	\$212,100
Installation	\$219,900
Borings & Crossings	\$ 28,000
R-O-W Acquisition	\$ 17,300
Permit Acquisition	\$ 7,000
Engineering & Survey	\$ 12,100
Cathodic Protection System	\$ 5,400
Construction Inspection	\$ 10,000
Legal	\$ 2,000
Radiographic Inspection	\$ 8,000
Interconnect	\$ 4,500
Supervision & Administration	\$ 26,300
TOTAL	\$552,600

Exhibit E

Sawdust Pipeline 5 Year Estimated EBITDA

<u>Year</u>	<u>Daily Flow</u>	<u>Transport Rate</u>	<u>Gross Annual Revenue</u>	<u>Annual Operating Expenses</u>	<u>EBITDA</u>
1	480	\$0.721	126,319	18,000	(444,281)
2	576	\$0.721	151,583	18,270	(310,968)
3	691	\$0.721	181,847	18,544	(147,665)
4	829	\$0.721	218,164	18,822	51,677
5	995	\$0.721	261,849	19,105	242,744

Notes:

- a) Gross Annual Revenues assume 365 operating days per calendar year.
- b) Annual Expenses do not include Debt Service, Depreciation, Interest, Amortization or Taxes.
- c) Debt Service is general reflected in the EBITDA

EXHIBIT F

Sawdust Pipeline

Environmental Assessment

I. Description of Proposed Pipeline Route:

The right-of-way of the proposed Sawdust Pipeline lies within Corwith Township of Otsego County. The beginning point is at the Central Production Facility owned and operated by **Schmude** Oil Company in the NE/4 of the NW/4 of Section 19, T32N R1W, Corwith Township, Otsego County, Michigan. The natural gas pipeline will travel in a northerly direction approximately 0.4 miles. It will then take a generally westerly turn and travel 5.55 miles to a point of ending in the southwest quarter of Section 29, T32N R2W, Corwith Township. At that point, the Sawdust Pipeline will be connected to the Green Timbers Pipeline. The right-of-way clearing required for the Sawdust Pipeline is approximated at less than 20%, when utilizing the existing road rights-of-way.

II. Land Use and Features:

The land use in the immediate vicinity of the proposed pipeline encompasses the following woodland percentages throughout the proposed 5.95 mile length:

Hardwoods	35%
Mixed Poplars	36%
Second Growth Pine Stands	4%
Non-wooded Farmland	0%
Non-wooded Developed Land	4%
Cedars	21%

However, by using existing corridors where possible, the selected route will require only partial right-of-way clearing along 96% +/- of its length. The house count within 660' of the selected route indicates a Class II area. No schools, churches, cemeteries, or buildings intended for human occupancy of 20 or more, are in the vicinity of the proposed pipeline route.

III. Soils:

According to the United States Soil Conservation Service the following 7 types of soil are encountered in the general area of the proposed pipeline.

Leelanau Loamy Sand	44.4%
Lindquist Sand	24.7%
Rubicon Sand	16.9%
Morganlake Loamy Sand	6.1%
Croswell – Au Gres Sands	4.7%
Blue Lake Sand	3.0%
Tawas – Leafriver Mucks	0.2%

IV. Species and Ecosystems:

Numerous animal species common to Michigan's Northern Lower Peninsula may inhabit or utilize the area in the vicinity of the Sawdust Pipeline. Wild animal species in the area include deer, squirrels, rabbits, turkeys and raccoons as well as a variety of various birds. Because of the high mortality of seedlings and grasses in the soils encountered due to its high permeability and low organic content, the potential for wildlife is somewhat poor. No threatened or endangered species are anticipated within the immediate vicinity of the pipeline due in part to the lands being previously cleared.

The trees along the proposed route are varied and include jack pine, red pine, poplar and hardwoods. The pine trees are second growth or planted. The area has been extensively lumbered in the past.

V. Construction Activities Effect on Environment:

A) Land

The principal actions impacting the environment will consist of minor clearing of brush and trees along the proposed route. The construction of this pipeline will involve clearing a right-of-way approximately **30** feet in width, where required. The pipeline will be trenched in place with the excavated materials replaced **after** construction so that after settlement, the surface will be nearly the same grade **as** it **was** originally. Care has been taken to route this pipeline so that it lies predominantly within cleared land or adjacent to existing right-of-ways and roads. Some tree removal is inevitable. Approximately **3.61** acres of wooded land will be cleared for this right-of-way, over the entire route.

B) Species and Ecosystems

Temporary displacement of wildlife from the pipeline vicinity will occur during construction activities. However, once construction is completed, these animals and birds will return to their habitat.

C) Human and Economic

The overall Sawdust Pipeline Project is expected to last approximately 35-42 days. Consequently, the local area will not benefit from any significant long term increase in employment. However, local retail trade and motels will realize a short term benefit **from** the business associated with the construction of the Sawdust Pipeline. Construction will be limited to daylight hours so that the residents along county roads will be affected **as** little as possible by noise and dust associated with construction activity.

D) Air and Water

Under normal operating conditions, the pipeline will have no impact on the water or air quality. Because the natural gas transported is predominantly methane, with carbon dioxide up to 10% (neither of which is considered a serious pollutant) the vented gas, if any at all, would not have any significant effect on the atmosphere or persons in the area.

Construction activity will inevitably create dust and combustion products. However, the level of these contaminants will not pose any health problems and will be short in duration. Furthermore, the pipeline is in a non-populated area. Erosion and sedimentation control will minimize dust formation.

The impact on water quality will be limited to increased turbidity due to airborne dust during the actual construction phase. Overall impact on the air quality will be positive, as this pipeline is designed to deliver additional clean burning natural gas for fuel, as compared to the combustion of other fossil fuels in the commercial and residential marketplace.

VI. Measures to Minimize Negative Environmental Effects:

Noise from construction activities will be limited to daylight hours. In compliance with Michigan's Soil Erosion and Sedimentation Control Act, P.A. 347 of 1972, the pipeline will be stabilized after completion of construction and revegetated with grasses to minimize erosion potential. Areas with high slopes, **i.e.** greater than 6%, will be completed or protected immediately after construction. Specific seed varieties selected will depend on the soil and terrain characteristics, and the recommendation of the local governing authority. Dust will be reduced by keeping open cuts and extensive open lengths to a minimum.

Coordination of construction activities with **affected** utilities will be done and Miss Dig will be notified prior to any construction.

VII. Evaluation of Alternatives:

The following are the 3 options which would enable gas to be transported from the CPF to the Sawdust Pipeline:

- A) Use existing cleared corridors to greatly restrict clearing and brushing of areas thereby reducing the erosion from construction traffic and decreasing the disturbance of existing wildlife.
- B) Clear and maintain a permanent utility corridor for this pipeline by heading southwesterly at a heading of 260 degrees from the CPF located in Section 19, thereby shortening the length of the pipeline. By choosing this approach, the installation of the pipeline would maximize the amount of clearing, brushing and erosion from construction traffic, and maximize short term disturbance of existing wildlife.

Major Pipeline L.L.C. has chosen Option A in an effort to reduce all negative environmental effects associated with the installation of this pipeline.

VIII. Conclusion:

Major Pipeline L.L.C. concludes that this proposed route, known as the Sawdust Pipeline offers the best means to transport natural gas to market.

U-14938

1273

MAJOR PIPELINE, LLC
25 IONIA AVE NW, STE. 210
GRAND RAPIDS, MI 49503-4179

DATE June 29 2006 74-1371/724

PAY TO THE ORDER OF STATE OF MICHIGAN

\$ 100.00

ONE HUNDRED AND 00/100 

DOLLARS 



FOR SAVINGS FIDUCIARY



