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May 28, 2021

VIA ELECTRONIC CASE FILING

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway
Lansing, MI 48917

Re: In the Matter of the Application of **LAMBDA GATHERING, LLC** for a Certificate of Public Convenience and Necessity for the conversion and operation of the Lambda Gathering Wet Header, ranging from Manistee County in the southeast to Presque Isle County in the northeast, to provide continuing wet natural gas service in Michigan's Antrim Shale and Niagaran formations, seeking *ex parte* relief.

Dear Executive Secretary:

Enclosed for filing please find the Application of Lambda Gathering, LLC in the above referenced matter.

Should you have any questions or comments regarding this matter, please do not hesitate to contact my office.

Sincerely,



Valerie J.M. Brader
Counsel to Lambda Gathering, LLC

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
LAMBDA GATHERING, LLC for)
a Certificate of Public Convenience) Case No. U- 21091
and Necessity for the conversion and)
operation of the Lambda Gathering)
Wet Header, ranging from Manistee)
County in the southeast to Presque)
Isle County in the northeast, to)
provide continuing wet natural gas)
service in Michigan’s Antrim Shale)
and Niagaran formations, seeking *ex*)
parte relief.)

APPLICATION

Lambda Gathering, LLC files this Application pursuant to 1929 PA 9, (“Act 9”) as amended, MCL § 483.101 *et seq.*, and the Michigan Public Service Commission (“MPSC” or the “Commission”) rules for the Production and Transmission of Natural Gas, Administrative Standards R 460.851, *et seq.*, and respectfully requests the Commission issue a Certificate of Public Convenience and Necessity for the operation of the Lambda Gathering Wet Header (“LGWH”) pipeline, which will operate as a natural gas gathering system, transporting unprocessed natural gas and some residual petroleum products. The LGWH will be composed of three types of pipelines: 1) portions of pipelines currently used for this purpose as part of the current Wet Header system; 2) portions of the Lambda

Energy Gathering line (“LEG line”, formerly the MarkWest line) that is a common carrier line currently used to transport petroleum products; and 3) less than 3 miles of newly constructed pipeline.

Approval of this application regarding the LGWH will allow for continued operation of both the natural gas and petroleum producing wells that now use the Wet Header, and the fractionator operating in Kalkaska County, Michigan, which produces a number of saleable hydrocarbon products, including more than a quarter of the propane used in lower Michigan (among other products).¹ The LGWH will prevent the waste of natural gas and other hydrocarbons in producing operations and prevent the abandonment of useful piping and distribution, while also maintaining crucial energy supplies for Michigan’s residents.

Lambda Gathering, LLC offers this Application, including its Exhibits and all statements within in support of its Application. Lambda Energy Resources,

¹ This line will be necessary assuming the application for conversion of the current Wet Header (to create backup natural gas service to several Northern Michigan cities) as proposed by DTE Michigan Lateral Company (case number U-20894) is approved. This application is the filing discussed by Michigan Public Service Commission staff witness Kevin P. Spence in his Direct Testimony in Case No. U-20894 filed May 14, 2021 (see p. 31-36) (excerpt of which is this Application’s Exhibit G).

LLC and Lambda Energy Gathering, LLC support this Application and offer statements herein regarding their intent to convey certain property rights.

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Table of Exhibits

Exhibit	Description
Exhibit A	Testimony of Brian J. Cooper
Exhibit A-1	Curriculum Vitae for Brian J. Cooper
Exhibit A-2	Map of Overall Proposed Wet Header System
Exhibit A-3	Map of Proposed Pigeon River Extension
Exhibit A-4	Engineering Specification for the Pigeon River Extension
Exhibit A-5	Conversion of Service Plan
Exhibit A-6	Information on Conversion of Service Pipelines
Exhibit B	Key Prior Orders of the MPSC re Pipelines Proposed for Inclusion in the LGWH
Exhibit C	Plats for LGWH Main Line
Exhibit D	Testimony of Kimberly S. Wallis-Burke
Exhibit D-1	Environmental Impact Assessment
Exhibit E	Supplemental Environmental Information
Exhibit E-1	U.S. GOVERNMENT ACCOUNTABILITY OFFICE, OIL AND GAS TRANSP., at 1 and 18-19 (August 2014)
Exhibit F	MPSC Order in Case No. U-10150 at 50 (Oct. 28, 1993)
Exhibit G	Excerpt of Direct Testimony of Kevin P. Spence, Case No. Case No. U-20894 (filed May 14, 2021)

Applicant and Other Lambda Entities

1) Lambda Gathering, LLC (“Applicant”) is a Michigan limited liability company that will own and operate the LGWH. It is duly authorized to conduct business in the State of Michigan, with its registered agent and Michigan corporate office located at 1510 Thomas Rd., Kalkaska, MI 49646. It currently owns portions of the current Wet Header previously owned by DTE Michigan Lateral Company that will be used as part of the LGWH.

2) Lambda Energy Resources, LLC is a Delaware limited liability company engaged in (among other things) the production and fractionation of oil and natural gas, and the operation of the Kalkaska Plant. It is duly authorized to conduct business in the State of Michigan, with its registered agent located at 186 N. Main, 2nd Fl, Ste 1, Plymouth, MI 48170, and its Michigan corporate office located at 1510 Thomas Rd., Kalkaska, MI 49646. It is a customer of the current Wet Header. It also is the holder of certain property rights that have been or will be conveyed to Applicant as of the date of the application for use in the construction and operation of the LGWH by Applicant.

3) Lambda Energy Gathering LLC is a Michigan limited liability company engaged in the transportation of petroleum on the LEG line, which it currently owns. Prior to December 15, 2019, it was known as the MarkWest

Michigan Pipeline Company, L.L.C. It is duly authorized to conduct business in the State of Michigan, with its registered agent and Michigan corporate office located at 1510 Thomas Rd., Kalkaska, MI 49646. It also is the holder of certain property rights that have been or will be conveyed to Applicant as of the date of the application for use in the construction and operation of the LGWH by Applicant.

Identification of LGWH

4) The southern portion of the LGWH will run from the Manistee Aztec Plant in Wayland, MI (Manistee County) to the Kalkaska Plant in Kalkaska, MI (Kalkaska County). The northern portion will run from the Kalkaska Plant to the Case 33 Central Processing Facility in (Presque Isle County). See Exhibits A-2 and A-3 for a map of the LGWH segments included in this Application.

5) This Application is filed to obtain Commission approval for the operation of the LGWH as a common carrier transmission line, transporting unprocessed natural gas and associated residual petroleum products, to be operated in compliance with the Michigan Gas Safety Standards and 49 CFR 192 and the associated permissions for conversion, siting and construction, notably including (from the southwest to the northeast):

- a) operation of a part of the 10" Blair Extension II in Manistee County that is part of the current Wet Header (LGWH "Segment One");

- b) conversion of 39 miles of the 10" Blair LP CRD extension in Manistee, Wexford, Grand Traverse, and Kalkaska counties from petroleum gathering lines that are part of the LEG line originally to natural gas gathering lines (LGWH "Segment Two");
 - c) operation of the 16" Kalkaska tie line in Kalkaska, Crawford, and Otsego County, currently used as part of the Wet Header (LGWH "Segment Three");
 - d) siting, construction, and operation of approximately 2.75 miles of a new 8" diameter natural gas pipeline running from the Junction Truck Facility to the Kalkaska Tie Line, North Chester Township and South Chester Township, Otsego County, Michigan (LGWH "Segment Four"); and
 - e) conversion of the 4"-8" Junction and the 4" Case 33 line in Otsego, Montmorency, Cheboygan and Presque Isle County from petroleum gathering lines to natural gas gathering lines (LGWH "Segment Five").
- 6) All additional lateral connections to the LGWH necessary to allow Wet Header producers not specifically included in this filing to continue to have service will be addressed in later Act 9 filings.

Map, Engineering Specifications and Safety Information

- 7) HT Engineering, Inc. was retained as an engineering consultant in matters of design and technical support for the conversion and construction of the LGWH.
- 8) Applicant presents the testimony of Brian J. Cooper, P.E. of HT Engineering, Inc. in support of this Application. This testimony, which is Exhibit A to this filing, includes the following items:
 - a) the professional qualifications of the witness;
 - b) a map of the lines that are the subject of this Application, including: ;
 - i) Map of Overall LGWH System
 - ii) Map of proposed new Pigeon River Extension
 - c) Engineering Specification for the Pigeon River Extension
 - d) Conversion of Service Plan
 - e) Information on Conversion of Service Pipelines
- 9) Applicant will operate the LGWH in accordance with 49 CFR 192 and the Michigan Gas Safety Standards.
- 10) The LGWH will not carry sour gas, i.e., gas containing a concentration of hydrogen sulfide (H_2S) greater than or equal to 300 parts per million.

Approvals and Land Rights

- 11) Key prior orders of the Michigan Public Service Commission regarding the Wet Header segments and LEG Line segments that are applicable to this application are found in Exhibit B.

Construction of Main Portion of LGWH

- 12) As stated below, all property rights necessary to the construction of the LGWH held by third parties have been acquired, or Applicant has received communications regarding the intent to convey such properties and is awaiting receipt of the executed documents.² In the case of property rights held by other Lambda entities, such rights will be conveyed to the Applicant as of the date of this Application. Applicant intends to supplement this filing to notify the Commission when acquisition of the land rights has occurred.
- 13) The plat/s for LGWH Segment One are found in Exhibit C. All property rights reflected on the plat/s were conveyed to Applicant in a Pipeline Purchase and Sale Agreement dated effective June 3, 2020, between Lambda

² This excludes rights held by governmental entities, notably the State of Michigan, that require an Act 9 certificate from the MPSC before rights will be conveyed.

The remaining third party property rights holder is Consumers Energy.

Gathering, LLC and DTE Michigan Gathering and DTE Michigan Lateral Company (the “DTE PSA”).

14) The plat/s for LGWH Segment Two are found in Exhibit C. All property rights reflected on the plat/s were conveyed to Lambda Energy Gathering, LLC pursuant to a Purchase and Sale Agreement dated September 11, 2019 in which Lambda Energy Gathering, LLC purchased all of the membership interest in MarkWest Michigan Pipeline Company, LLC (the “MarkWest PSA”).³ Lambda Energy Gathering has or will convey to Applicant ownership of all portions of the LEG line and all associated property rights that will be used as part of the LGWH as of the date of the application.

15) The plat/s for LGWH Segment Three are found in Exhibit C. All property rights reflected on the plat/s were conveyed to Applicant in the DTE PSA.

16) The plat/s for LGWH Segment Four are found in Exhibit C. The property rights reflected in the plat are owned by Applicant with the exception of a) certain rights held by the State of Michigan, which will be sought by Applicant if and when the Commission grants this Application

³ MarkWest Michigan Pipeline Company, LLC acquired the crude oil pipeline system in a Purchase and Sale Agreement dated November 7, 2003 with Shell Pipeline Company, LP and Equilon Enterprises LLC d/b/a Shell Oil Products US.

and b) rights for which Applicant has received communications regarding the intent to convey such properties and is awaiting receipt of the executed documents. It is Applicant's intent to supplement this filing upon such receipt.

- 17) The plat/s for LGWH Segment Five are found in Exhibit C. All property rights reflected on the plats were conveyed to Lambda Energy Gathering, LLC in the MarkWest PSA. Lambda Energy Gathering, LLC has or will convey to Applicant ownership of all portions of the LEG line and all associated property rights that will be used as part of the LGWH as of the date of the application.
- 18) In addition to the above listed parcels, all available second line rights as to the segments currently used as the Wet Header that were retained by DTE for conversion (Blair Loop 24" & Pigeon River 10") were conveyed to Applicant in the DTE PSA.

Laterals and Note Regarding Future Filings

- 19) It is the intention of Applicant to allow all producers currently using the Wet Header to have a connection to the LGWH, and it is working actively to identify the manner of such connections for all active producers utilizing the Wet Header today.

- 20) Laterals shown on Exhibit A-2 (map) will be used for the purpose of connecting producers to the LGWH. The Conversion of Service Plan includes laterals that currently do not provide service under Act 9. Applicant seeks approval for the use of these laterals as part of the LGWH.
- 21) Some active producers utilizing the current Wet Header have access to laterals that already connect to a pipeline that will be part of the LGWH, and Applicant thus already has all necessary property rights⁴ to make such connections to the LGWH:
- a) Ace Energy LLC at the following receipt points:
 - i) Cleon 26A (a/k/a Bailey 1-26); and
 - ii) Cleon 29A (a/k/a Abshire RMS).
 - b) Aztec Producing Company, Inc. (Manistee 2 receipt point).
 - c) Riverside Energy Michigan, LLC at the following points:
 - i) Brown 3 Combo Tap & Meter;
 - ii) Bear Lake 19B RMS, via the Bear Lake 19A lateral and Bear Lake 18 lateral; and

⁴ Applicant received all necessary property rights to permit this use pursuant to the DTE PSA.

iii) Bear Lake 8A (Operated by Apollo), via the following laterals:
Bear Lake 18, Bear Lake 19, Bear Lake 20, Bear Lake 32
(which connects to the Blair Extension II).

22) Where Applicant has not yet confirmed it has the necessary property rights needed to construct the necessary connections to the LGWH for an active producer on the Wet Header, Applicant intends to either amend this filing or make one or more future Act 9 filings to facilitate such connections.

Public Interest

23) The approval of this application is in the public interest, in that it both maintains the supply line for a facility the Commission has identified as a key piece of infrastructure for Michigan's energy security, and in doing so, prevents the waste of natural gas in producing operations and in the piping and distribution thereof. MCL 483.114.

Current Production

24) Without approval of the LGWH, and assuming the conversion proposed by DTE in case number U-20894, producers who today ship product southwest of Segment Two and northeast of Segment Three would have no access to wet

header transportation service. Approval of this application will therefore preserve this production and prevent waste.⁵

- 25) In addition to paying property taxes that support various local government activities and schools, the production from oil and gas wells in the area served by the current Wet Header also generates tax dollars that support parks and other recreational facilities in the State of Michigan.

The Kalkaska Plant

- 26) The LGWH approval is vital to the continued operation of the Kalkaska Plant, because it is the main supplier of feedstock to the Plant. The Kalkaska fractionator is one of only two such facilities in the State of Michigan, and the only such facility located in the northern Lower Peninsula. Mich. Pub. Serv. Comm'n, Michigan Statewide Energy Assessment, at 12, 130 (2019).
- 27) Producing approximately 1,050 barrels per day of propane, the Kalkaska fractionator accounts for the equivalent of 28% of the northern Lower Peninsula's demand for propane annually. Statewide Energy Assessment, *id.* at 12, 130.

⁵ See MCL 483.114 and Direct Testimony of Kevin Spence, Case No. U-20894, Part II, p. 32-36 (filed May 14, 2021).

- 28) The northern Lower Peninsula is an area of the state that relies heavily on propane for household heating. In fact, Michigan's residential sector uses more propane than any other state in the country. Statewide Energy Assessment, *id.* at 13.
- 29) Supplying approximately 28 retail propane providers with operations in Michigan, the Kalkaska fractionator helps meet demand for propane in remote areas of the state where propane is used heavily for home-heating. Statewide Energy Assessment, *id.* at 14, 130. A large part of northern Michigan depends on the propane produced at the Kalkaska fractionator, and it is thus in the public interest that the Kalkaska fractionator remains operational.
- 30) Other products produced at the Kalkaska Plant include petroleum products that are produced from the residual oil in the wet gas system. Those products are shipped by truck or rail to a number of facilities, including facilities that supply Detroit Metro Airport with fuel.
- 31) Dry gas (e.g. methane) is injected into the DTE dry natural gas system at the tailgate of the Kalkaska Plant.
- 32) The Kalkaska Plant has electrical "islanding" capabilities from onsite backup facilities, as well as access to onsite trucking and rail lines, making it a valuable resource to the state, its residents, and its businesses in the event of certain energy emergencies.

Environmental Impact

- 33) The portions of this Application dealing with Segments One, Two, Three and Five involve only use or repurposing of existing pipelines, and such use is not expected to have a significant environmental impact.
- 34) The only portion of the Application that does not involve the use and/or repurposing of infrastructure that is already in place is the construction of Segment Four.
- 35) An environmental impact assessment was commissioned for Segment Four. The testimony of Kimberly S. Wallis-Burke, which is Exhibit D to this Application, contains that Environmental Impact Assessment (Exhibit D-1). Applicant intends to supplement this filing when the Archeological, Cultural and Historical Resource Review/Survey is completed.⁶
- 36) The Environmental Impact Assessment (Exhibit D-1) found that no significant adverse environmental impact would be caused by the construction, operation, and maintenance of Segment Four as proposed.

⁶ Applicant has submitted record requests to the Michigan State Historical Preservation Office (“SHPO”), and anticipates a June completion for the Section 106 Application and Review report, and a submission of the archeological, cultural and historical clearance in July.

37) There is no significant environmental impact and no feasible and prudent alternative to the LGWH.⁷

No Change in Rates or Contract Terms Sought

38) Applicant proposes to use the same rates for the LGWH as apply today for transportation on the existing Wet Header: namely 2.2 cents per Mcf for use of the main line and 7.5 cents per Mcf for use of the lateral system.⁸ MPSC Order in Case No. U-10150 at 50 (Oct. 28, 1993) (appended to this filing as Exhibit F).

39) Applicant notes that it is willing to continue to apply these rates, which were approved nearly two decades ago, despite millions of dollars spent by it or Lambda Energy Gathering, LLC to acquire the facilities that make up the LGWH, and an estimated more than \$3M in costs to make the necessary connections for producers (including construction costs and the costs of performing the associated inspections and testing prior to operation of the LGWH).

⁷ Information supporting this finding is found in Exhibits D, D-1, E, and E-1.

⁸ In companion filings later this year, it would also be Applicant's intent to seek no change in the rates for using the main and the laterals of the LGWH from those approved for the current Wet Header in Case No. U-10150.

- 40) Applicant does not expect that the current tariff rate will allow it to recover these costs (notably those associated with the construction and pressure testing of the entirety of the LGWH), but is not seeking an increase in the tariff at this time.
- 41) Applicant is not seeking a tariff increase at this time in order to assist producers, who have just emerged from a period of lower commodity pricing due to the worldwide pandemic, in adjusting to additional costs associated with the trucking of products that are today transported on the LEG line.⁹
- 42) As the current tariff for the Wet Header has previously been approved by the Commission, the LGWH is intended to replace the service provided by the current Wet Header, and additional costs have and will be incurred by Applicant in creation of the LGWH for which no recovery is being sought, such a rate is just and reasonable and the Commission should permit Applicant to use a rate of 2.2 cents per Mcf for use of the main line and 7.5 cents per Mcf for use of the lateral system.

⁹ Following conversion of portions of the current Wet Header by DTE as proposed in case U-20894 to dry gas service, and the resulting conversion of portions of the LEG line to the LGWH as proposed in this Application, there will no longer be a pipeline approved under Act 16 available for use in large portions of the Antrim Shale and Niagaran formations.

43) Applicant has not sought any change in the contract terms with producers now using the Wet Header. Applicant has assumed such contracts under the terms of the DTE PSA. If any new contracts for purchasing, receiving, or supplying gas are entered into as part of the conversion to the LGWH, then such contracts will be filed at that time.

Requested Actions

For the reasons stated in this Application, Applicant respectfully requests that the Commission, pursuant to Act 9:

- A. Approve the conversion of all pipelines in Segments Two and Five of the LGWH from petroleum pipelines to natural gas liquids pipelines;
- B. Approve the map, route, and operation of the LGWH;
- C. Find that the LGWH serves the convenience and necessity of the public;
- D. Find that there is no significant environmental impact from the Pigeon River Extension (Segment Four) and no feasible and prudent alternative to either Segment Four or the LGWH;
- E. Approve the continued use of the current tariffs and contract terms for the existing Wet Header main and laterals for use for the LGWH main and laterals;

- F. Approve this Application on an *ex parte* basis without the time and expense associated with scheduling, noticing, and convening a public hearing; and
- G. Grant such relief as it may find appropriate.

Respectfully submitted,

RIVENOAK LAW GROUP, P.C.

Dated: May 28, 2021

By:

 _____

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Attorney for Applicant Lambda Gathering, LLC; Lambda Energy Gathering, LLC; and Lambda Energy Resources, LLC¹⁰

¹⁰ Signature certifies that Valerie Brader executed this Application for and on behalf of Lambda Gathering, LLC, that she is familiar with its contents, that the facts contained therein are true, to the best of her knowledge and belief (including but not limited to the attestations as to the conveyance of certain rights by other Lambda entities); and that she is duly authorized to execute such Application.