



# Agenda



## Program Discussion

- Program Background
- Why replace aging pipe

## Belt Line Replacement

- 2025 Projects Update
- Scheduling
- 2024 Cost Variance

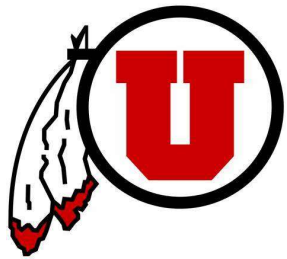
## High Pressure Replacement

- 2025 Projects Update
- Scheduling
- 2024 Cost Variance

# Program Background



# 2010



Independence



- **Infrastructure Replacement Adjustment (IRA)** Approved in 2010 (Docket No. 09-057-14)
  - The IRA is a cost recovery mechanism, or “Tracker”, that tracks the incremental capital costs associated with certain infrastructure replacement projects.
  - The IRA incorporated the Company’s **Feeder Line Replacement Program**
    - Feeder Lines are high pressure mains that serve as the backbone to the distribution system, carrying natural gas from city gates to delivery points (regulator stations or customers)
    - The Company’s Feeder Line Replacement Program existed prior to 2010 as an ongoing, dynamic replacement program
  - The IRA introduced new reporting requirements including an annual budget of feeder line replacements and quarterly reports.

# Program Background



# 2013



Image from April 2013 in Bluffdale  
Construction on \$1.5 Billion NSA data center

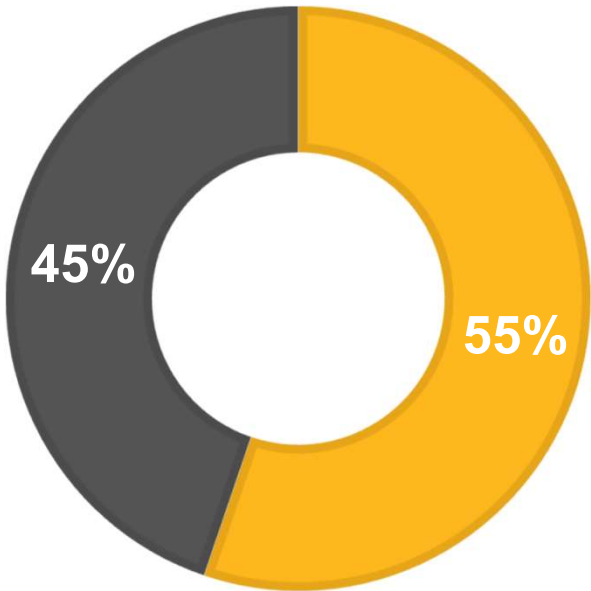
- **Infrastructure Replacement Adjustment (IRA)** Continued and expanded in 2013 (Docket No. 13-057-05)
  - The IRA incorporated the Company's **Belt Line Replacement** for pre-1970 belt lines.
    - Belt Lines are intermediate high pressure mains that carry natural gas through major portions of the Company's IHP distribution system
  - While the Company's replacement programs are continuing and will evolve based on needs of the distribution system, the scope of the IRA was clearly defined in 2013 by introducing a "**Master List**" of pipelines that would be included in the IRA for Feeder Line and Belt Line work, and estimated schedules of replacement over the duration of the program.
  - These schedules are updated annually. The 2025 updates will be filed this week.

# Program Progress



## IRA CUMULATIVE PROGRESS

■ Miles Remaining   ■ Miles Retired



- 249 Total Miles Retired
- 308 Total Miles Remaining
- Avg Pace: 16.6 miles per year

\*Based on June 2024 updated Master Lists. Includes 2011-2013 work (pre-dates master list) as part of scope and progress in the program.



# How the IRA Works



- **The IRA mechanism is described in Section 2.07 of the Company's Tariff.**
- “The Surcharge is designed to track and collect costs of Replacement Infrastructure between general rate cases.”
- May file twice per year (must file at least once per year).

## CALCULATION OF TOTAL SURCHARGE

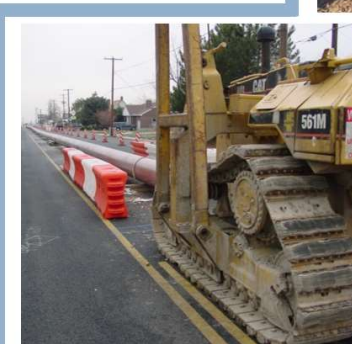
The following components are included in the calculation of the Surcharge:

Replacement Infrastructure	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Accumulated Deferred Income Tax	XXX,XXX
Net Replacement Infrastructure	\$X,XXX,XXX
Current Commission-Allowed Pre-Tax Rate of Return	8.46%
Allowed Pre-Tax Return	\$X,XXX,XXX
Plus: Net Depreciation Expense	XXX,XXX
Net Taxes Other Than Income	XXX,XXX
Total Surcharge	\$X,XXX,XXX

- All investment is included in a general rate case when calculating base rates. When effective, tracker surcharge is reset to \$0.

# Why replace aging pipelines?

- Construction practices have improved over time.
- Replacement mitigates risks related to:
  - Outdated practices regarding:
    - > Material Manufacturing
    - > Reconditioned pipe
    - > Excavation methods
    - > Auger/Directional Drilling methods
    - > Bedding
    - > Welding
    - > Coating
    - > Laying
    - > Backfilling
  - Lacking records
  - Lacking AC/DC mitigation
  - Inability to perform inline inspections



# Belt Line 2025

## Current 2025 Projects Schedule

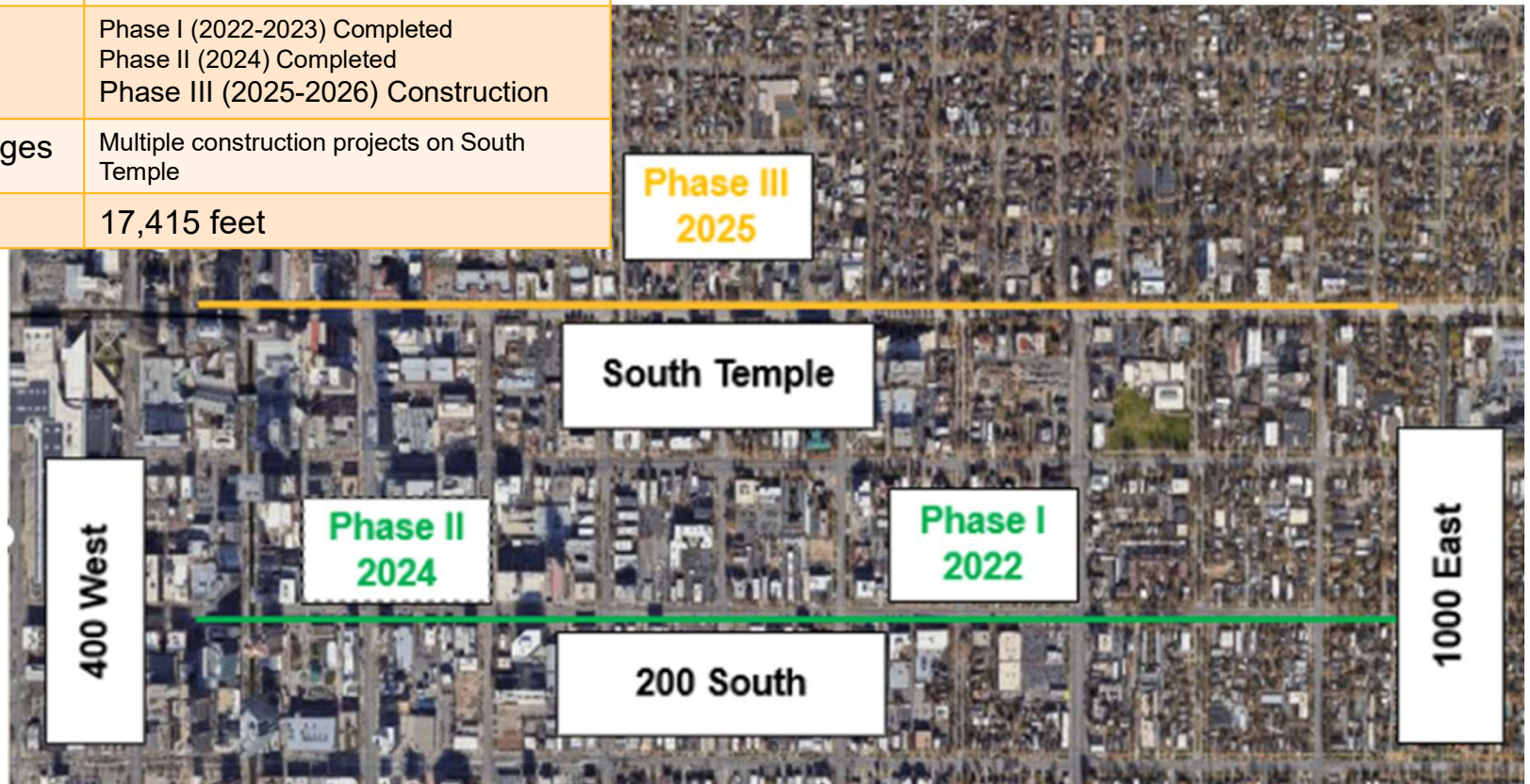
- Salt Lake County
  - BL7
    - > Phase III- South Temple from 1000 East to 400 West
  - BL27
    - > 1000 West North Temple



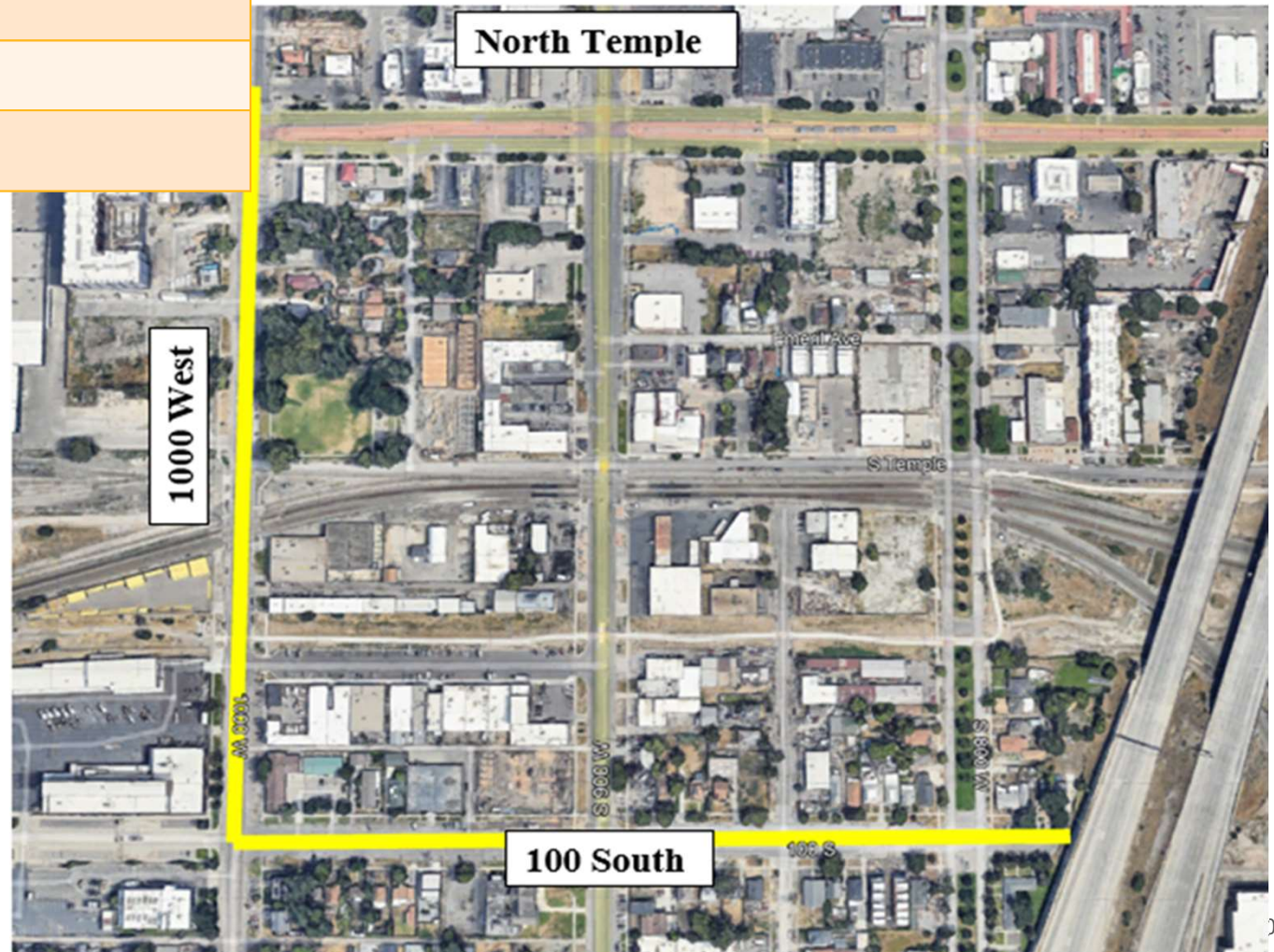


## Belt Line 2025

Belt Line:	BL7 in Salt Lake City
Stage:	Phase I (2022-2023) Completed Phase II (2024) Completed Phase III (2025-2026) Construction
Efficiency/Challenges	Multiple construction projects on South Temple
Footage:	17,415 feet

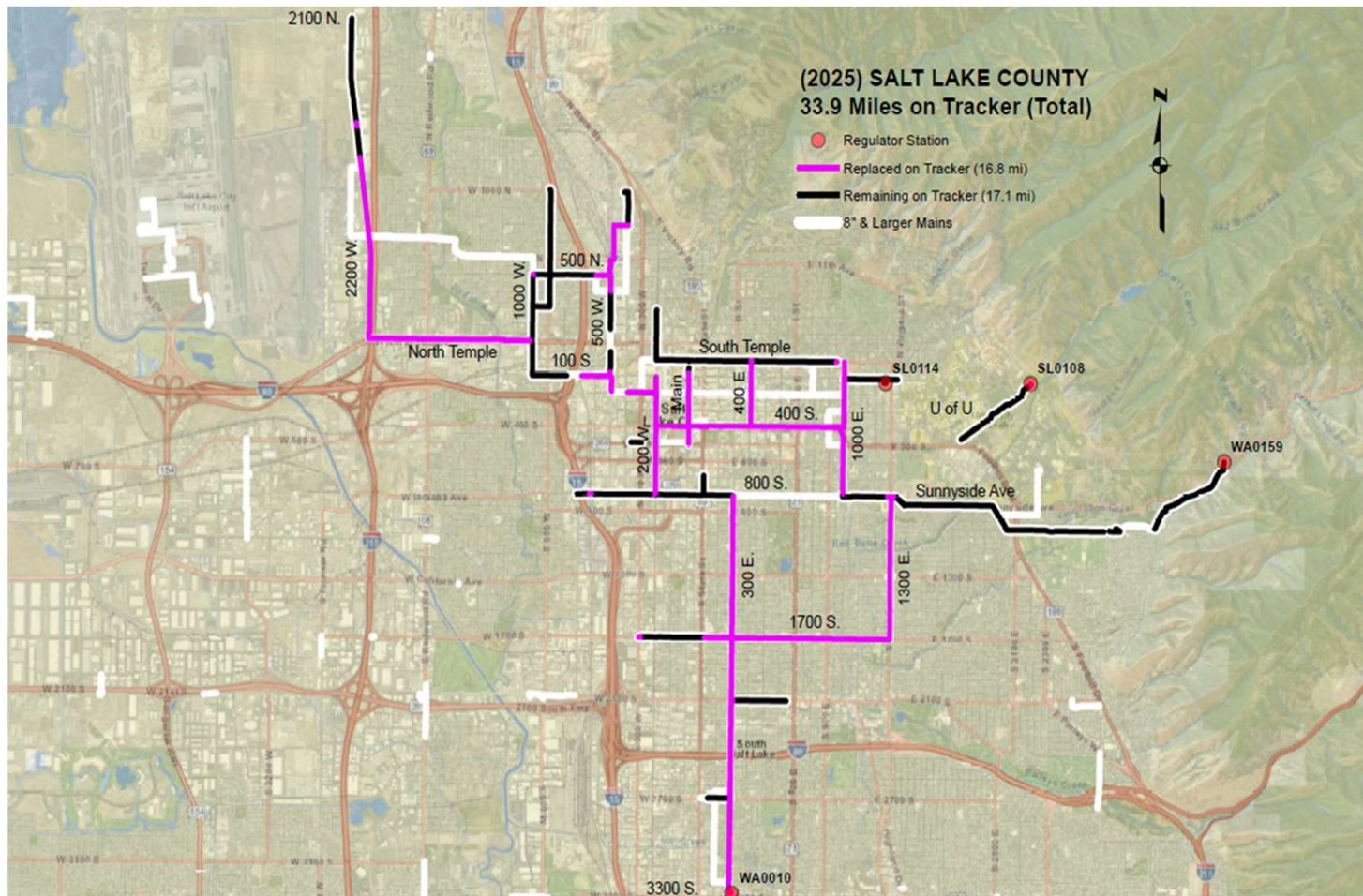


Belt Line:	BL27 in Salt Lake City
Stage:	Pre-bid
Efficiency/Challenges	NA
Footage:	3,683 feet





## Belt Line 2025



## Belt Line 2025

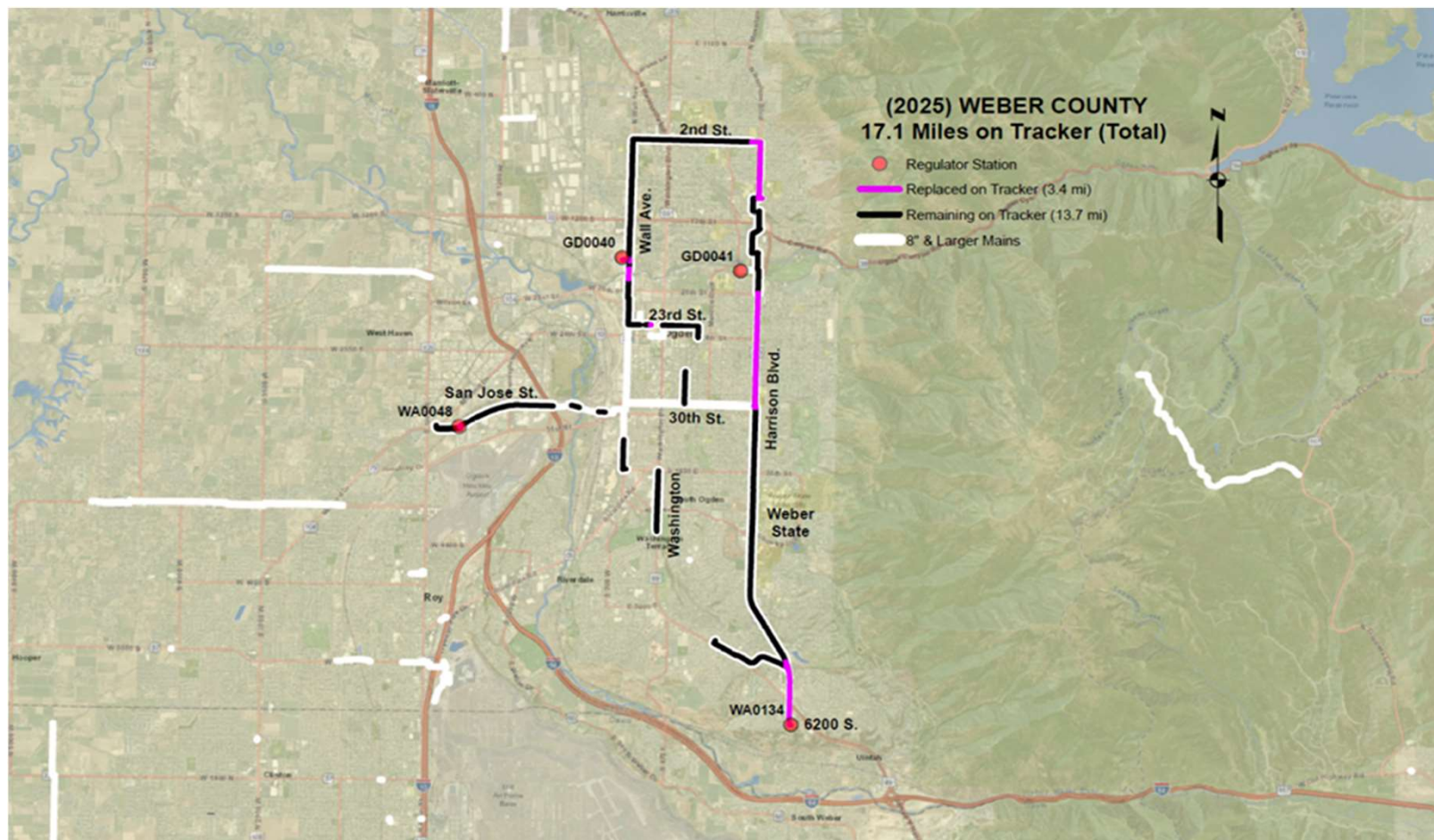




## Belt Line 2025



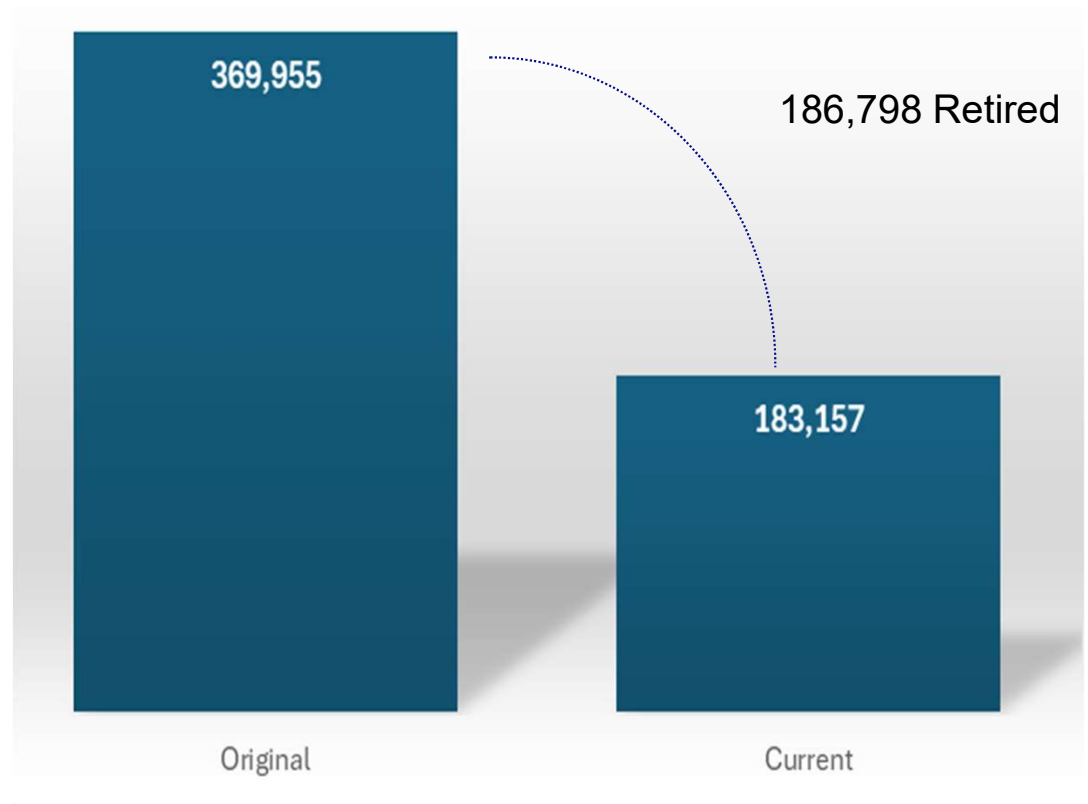
## Belt Line 2025



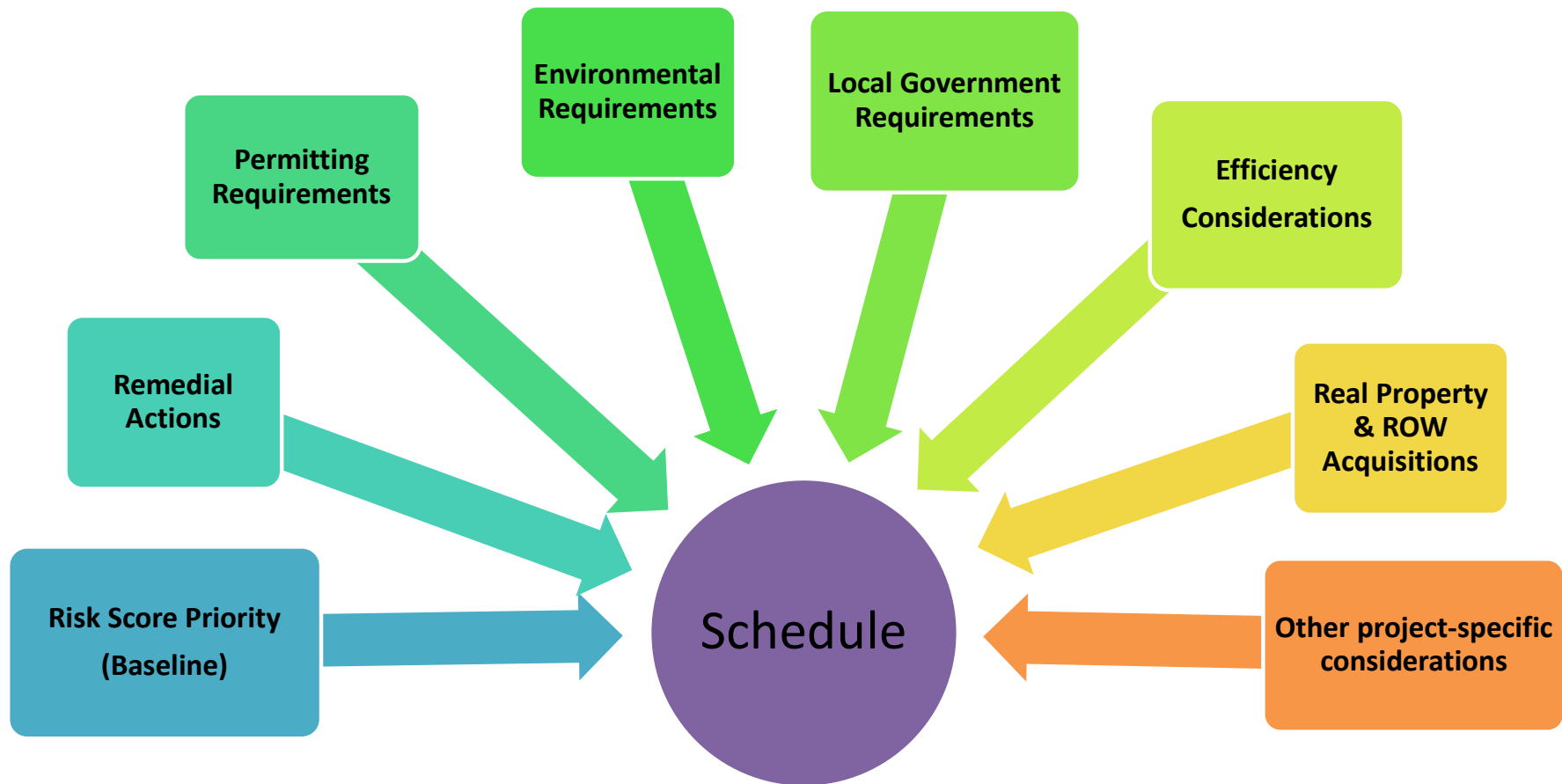
## Belt Line Cumulative Progress to Date

### IHP Master List Update

	Original Tracker Pipe Footage	Miles
Salt Lake County	178,848	33.9
Utah County	20,242	3.8
Weber County	90,259	17.1
Davis County	80,606	15.3
<b>Total</b>	<b>369,955</b>	<b>70.1</b>
	Retired Tracker Pipe Footage	Miles
Salt Lake County	88,353	16.7
Utah County	18,309	3.5
Weber County	18,112	3.4
Davis County	62,024	11.7
<b>Total</b>	<b>186,798</b>	<b>35.4</b>
	Remaining Tracker Pipe Footage	Miles
Salt Lake County	90,495	17.1
Utah County	1,933	0.4
Weber County	72,147	13.7
Davis County	18,582	3.5
<b>Total</b>	<b>183,157</b>	<b>34.7</b>



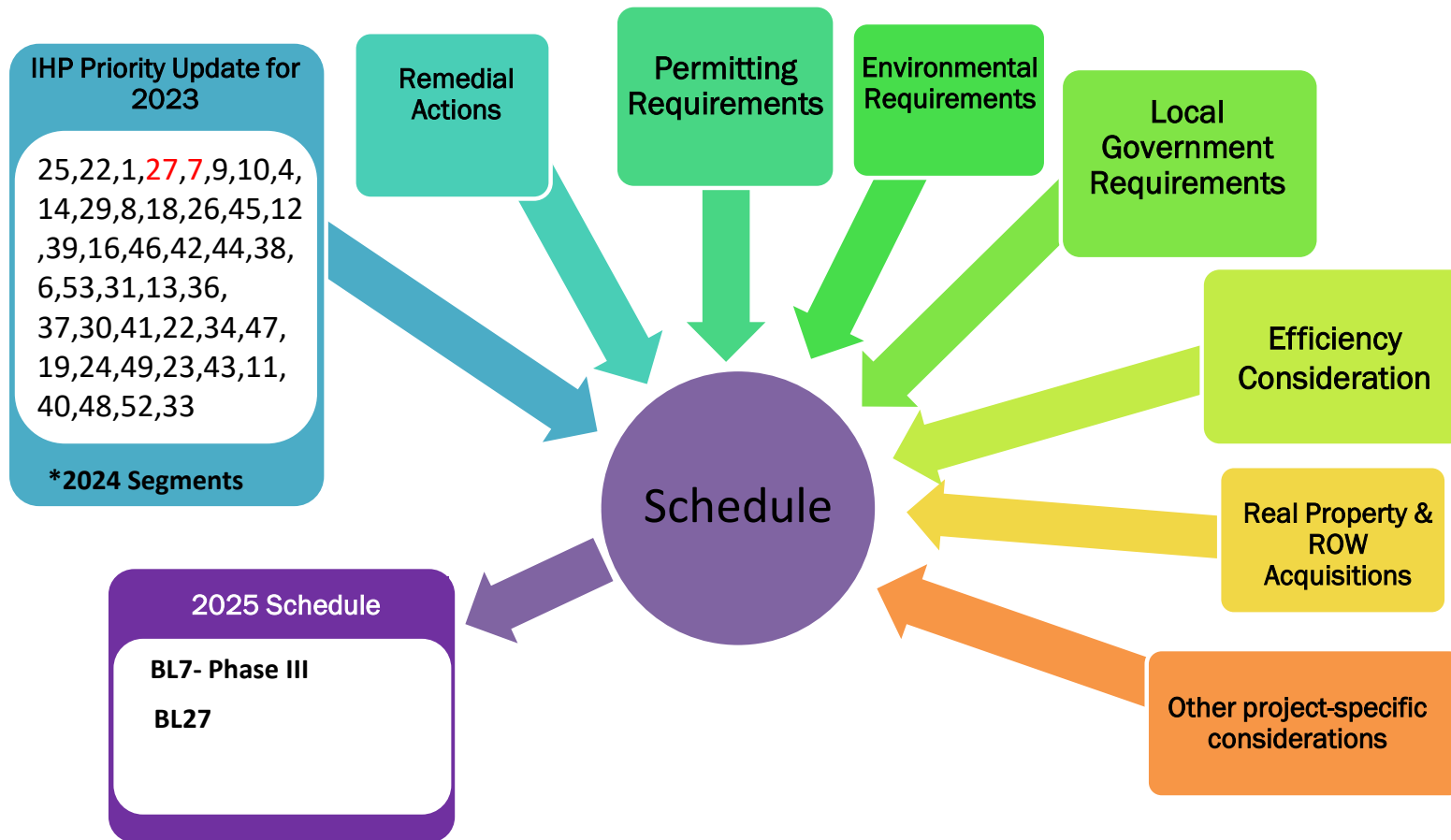
# Scheduling Criteria - Belt Line Replacements



Scheduling per Section III of the Settlement Stipulation, Docket 13-057-05, Exhibit 5



## Belt Line 2025 Implemented Schedule



## June 2024 Risk Score Priority

### Segment Priority:

#### **Partially Complete Segments**

25, 22, 1, 27, 28, 7, 9, 10, 4, 14,  
29, 8, 18, 26, 45, 12, 39, 16, 46,  
42, 44, 38, 6, 53, 31, 13, 36, 37,  
30, 41, 34, 47, 19, 24, 49, 23, 43,  
11, 40, 48, 52, 32, 33.

#### Completed segments:

2, 3, 5, 15, 17, 20, 21, 35, 50, 51,  
54.

## June 2025 Risk Score Priority

### Segment Priority:

#### **Partially Complete Segments**

25, 22, 1, 27, 7, 9, 10, 4, 14,  
29, 8, 18, 26, 45, 12, 39, 16,  
46, 42, 44, 38, 6, 53, 31, 13,  
36, 37, 30, 41, 34, 47, 19, 24,  
49, 23, 43, 11, 40, 48, 52, 33.

#### Completed segments:

2, 3, 5, 15, 17, 20, 21, 35, 50,  
51, 54, 28, 32.

Prioritized by relative risk score

# Belt Line 2024 Spending Variance



Project	Budget	Actual	Variance
Salt Lake County	\$11,000,000	\$14,181,740	(\$3,181,740)
Total	\$11,000,000	\$14,181,740	(\$3,181,740)

\*2024 4Q Tracker Variance Report; Docket No. 23-057-18

**Questions?**





## High Pressure Replacement

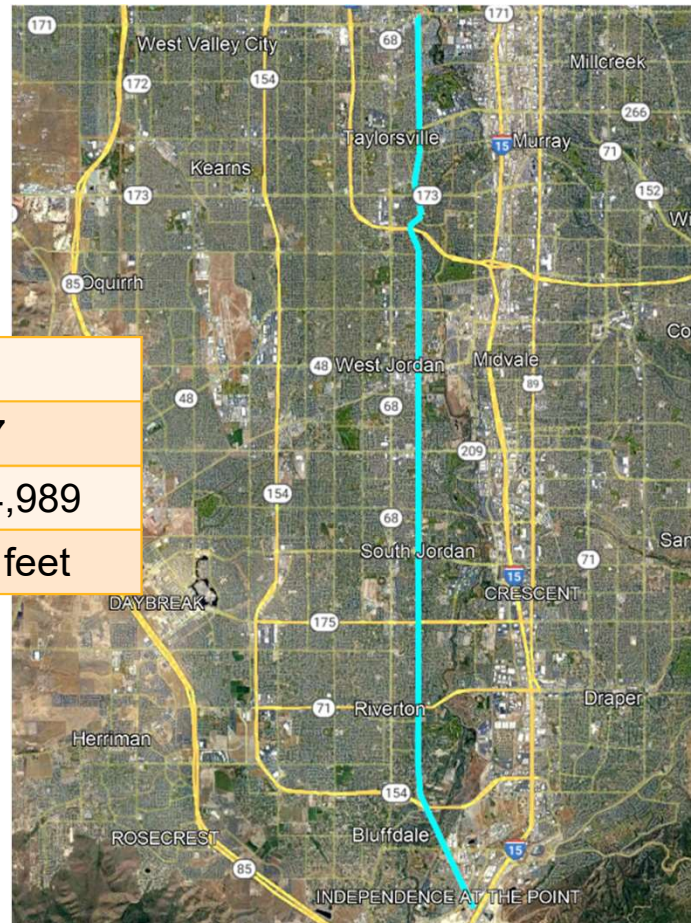
### HP Replacement Program

- 2025 Projects Update
- 2024 Cost Variance
- Scheduling



## High Pressure Replacement

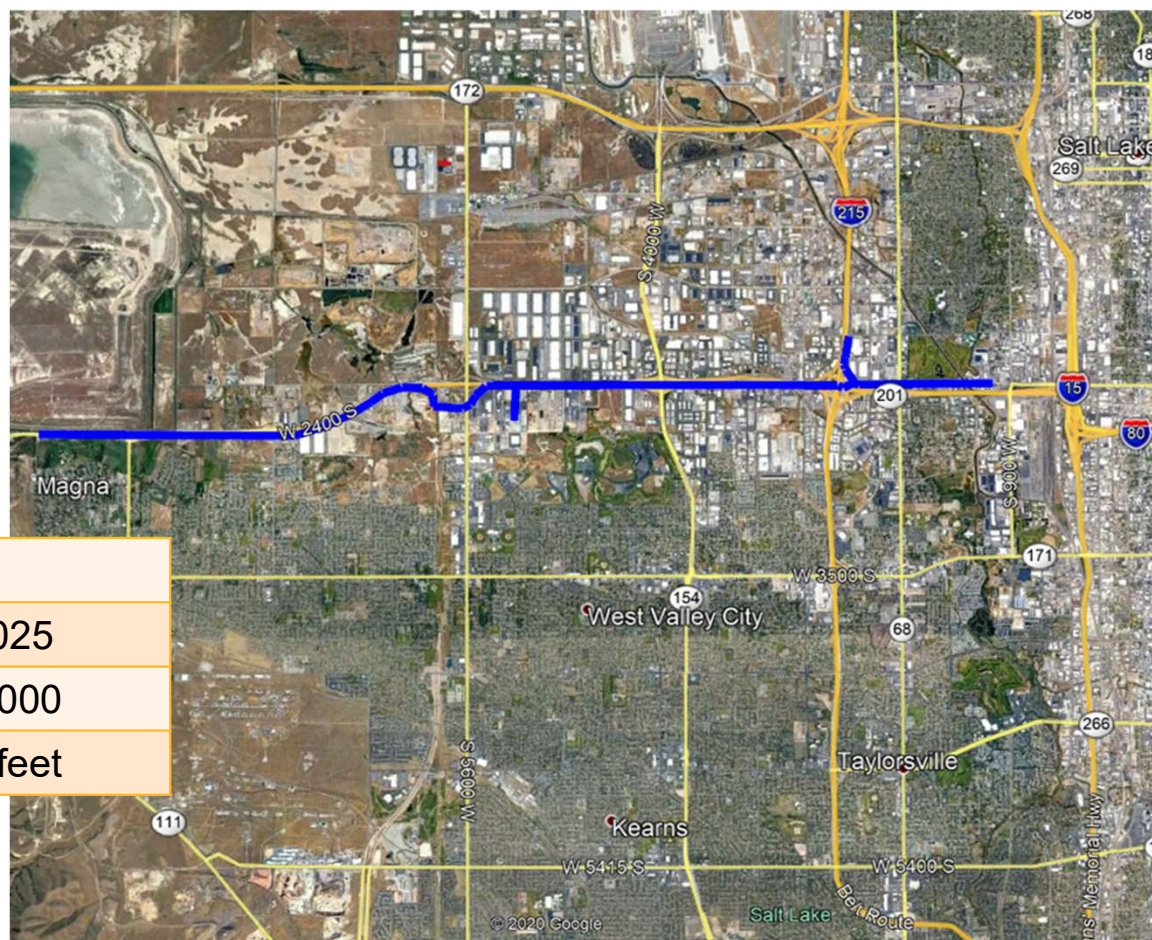
Line:	FL34
Schedule:	2023-27
2025 Budget:	\$43,834,989
Approx. Footage:	85,000 feet





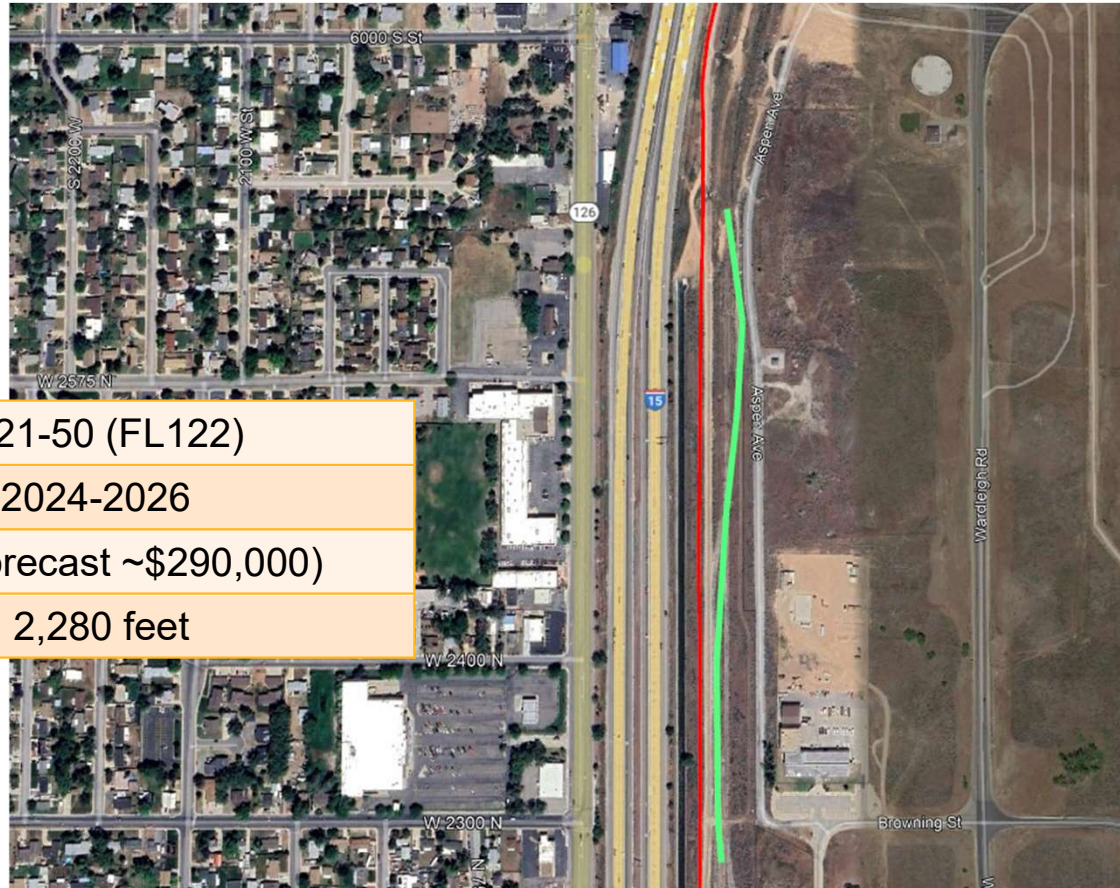
## High Pressure Replacement

Line:	FL13
Schedule:	2021-2025
2025 Budget:	\$1,300,000
Approx. Footage:	63,265 feet



## High Pressure Replacement

Line:	FL21-50 (FL122)
Schedule:	2024-2026
2025 Budget:	N/A (Forecast ~\$290,000)
Approx. Footage:	2,280 feet





# High Pressure Replacement



Line:	FL33/FL21-10 (FL143)
Schedule:	2023-2024
2024 Budget:	\$2,000,000
Approx. Footage:	18,500 feet

# High Pressure Replacement



Line:	FL22 (FL127)
Schedule:	2023-2024
2024 Budget:	\$2,500,000
Approx. Footage:	8,900 feet



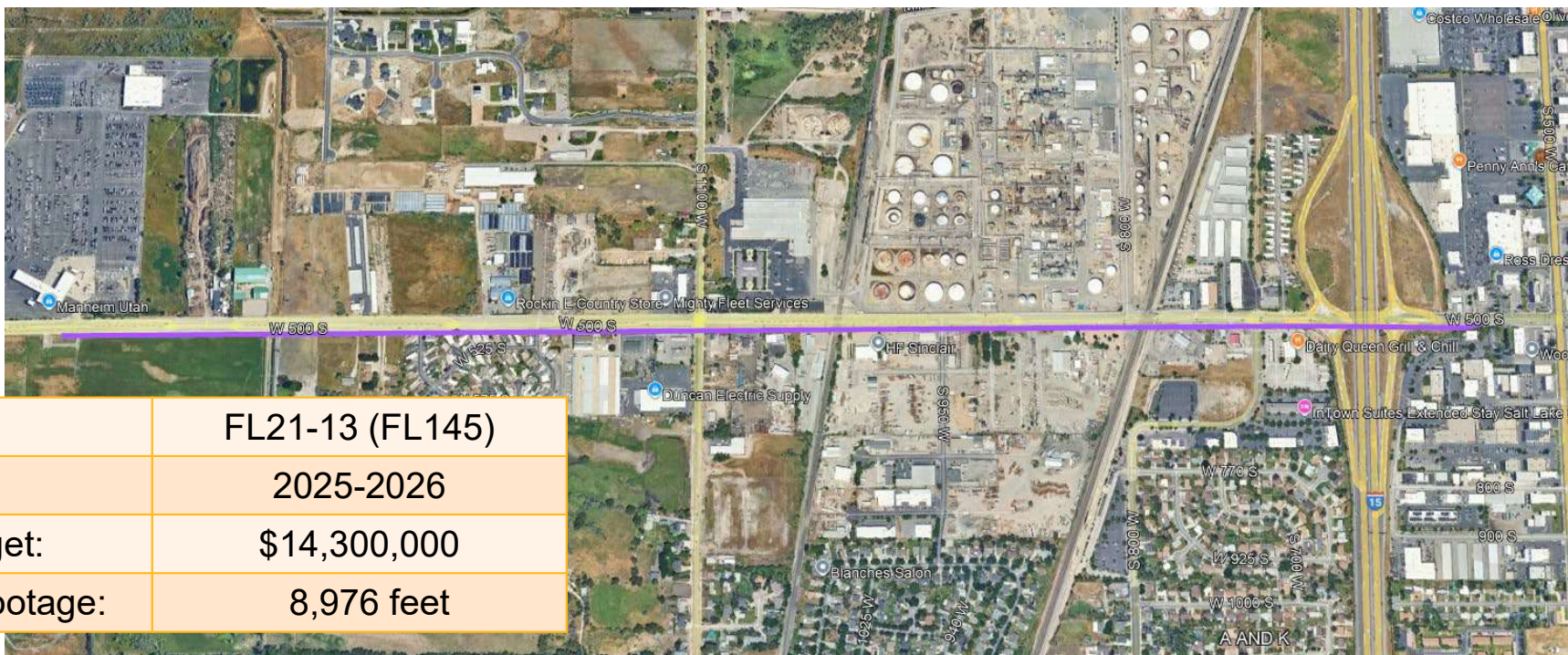
## High Pressure Replacement



Line:	FL43-3 (FL134)
Schedule:	2021-2024
2024 Budget:	\$14,250,000
Approx. Footage:	95,400 feet



## High Pressure Replacement



Line:	FL21-13 (FL145)
Schedule:	2025-2026
2025 Budget:	\$14,300,000
Approx. Footage:	8,976 feet

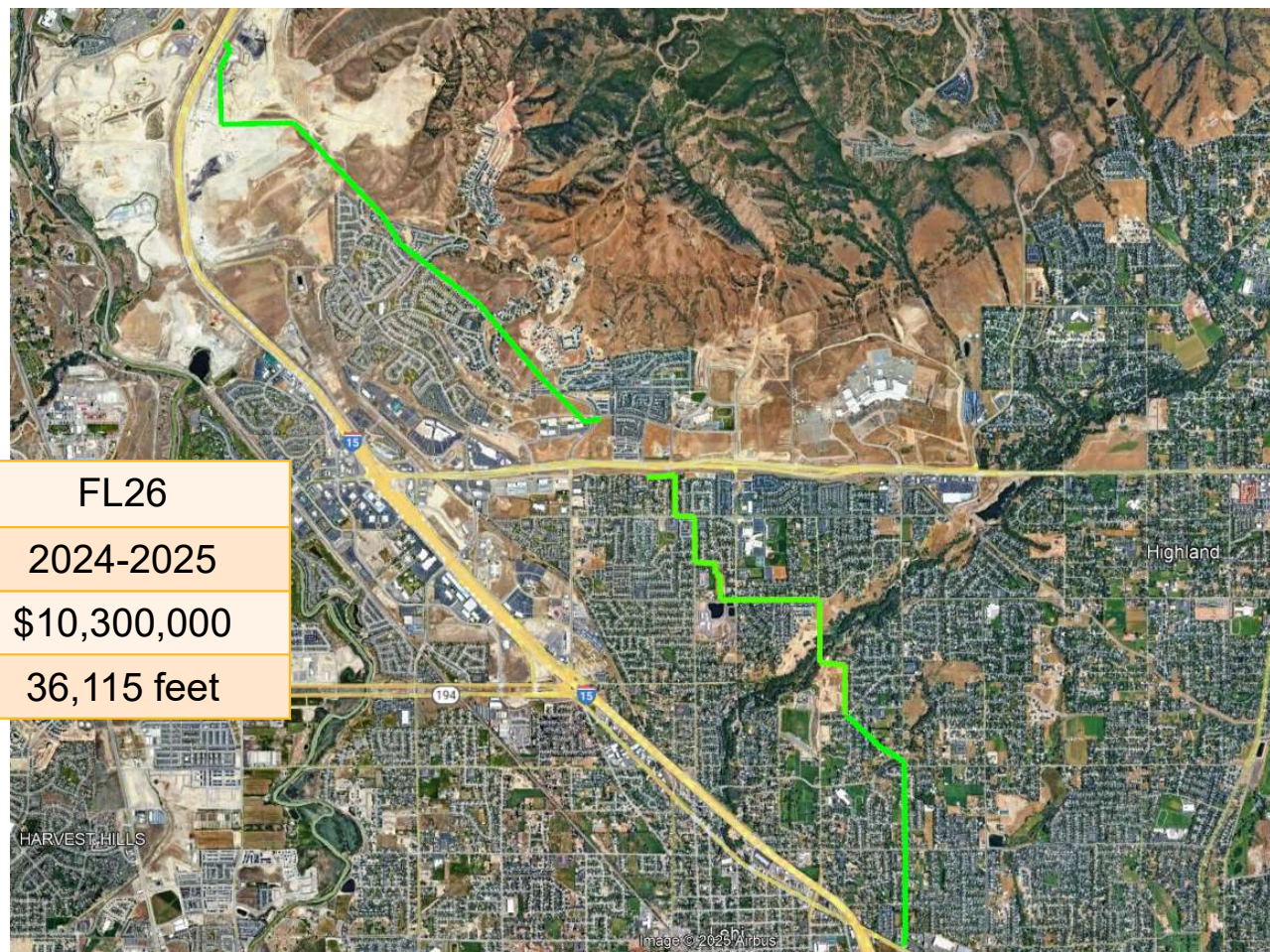
## High Pressure Replacement



Line:	FL21-19 (FL148)
Schedule:	2024-2025
2025 Budget:	\$1,400,000
Approx. Footage:	5,810 feet



## High Pressure Replacement



Line:	FL26
Schedule:	2024-2025
2025 Budget:	\$10,300,000
Approx. Footage:	36,115 feet



## Feeder Line 2024 Cost Variance



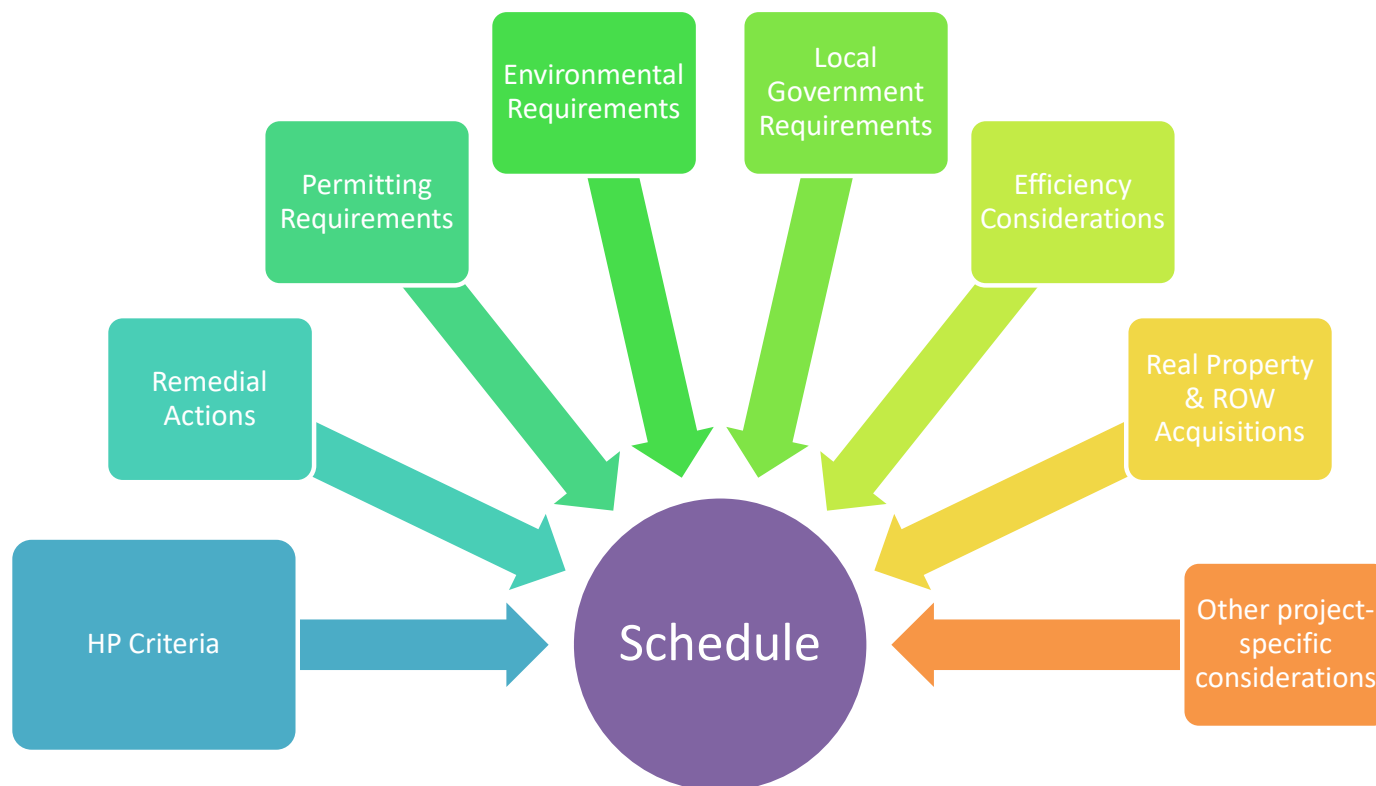
Project	Budget	Actual	Variance	Notes
FL22 (FL127)	\$2,500,000	\$1,588,779	\$911,211	Groundwater complications in original bid but company received permit to discharge to sewer which saved cost.
FL33/FL21-10	\$2,000,000	\$3,489,494	(\$1,489,494)	Planned tie-in location was deeper than anticipated.
FL13	\$225,000	\$315,140	(\$90,140)	Work shift from 2022 to 2023 due to weather.
FL43 (FL134)	\$14,250,000	\$12,140,828	\$2,109,172	Company was originally planning on obtaining easements. During discussions found existing property rights.
FL26	\$13,600,000	\$7,417,247	\$6,181,753	Work delayed due to permitting issues
FL34	\$27,500,000	\$30,100,647	(\$2,600,647)	Limited construction zone. Groundwater complications.
FL23-2 (FL150)	\$9,125,000	\$8,057,502	\$1,067,498	Company did not encounter groundwater as anticipated.
FL21-50 (FL122)	\$2,400,000	\$1,071,372	1,328,628	Work shifted from 2024 to 2025 due to UDOT.
FL21-19 (FL148)	\$2,630,000	\$6,251,601	(\$3,621,601)	Construction constraints from North Salt Lake City.
<b>Total HP</b>	<b>\$74,230,000</b>	<b>\$70,433,610</b>	<b>\$3,796,390</b>	

## High Pressure Replacement – 2025 Schedule

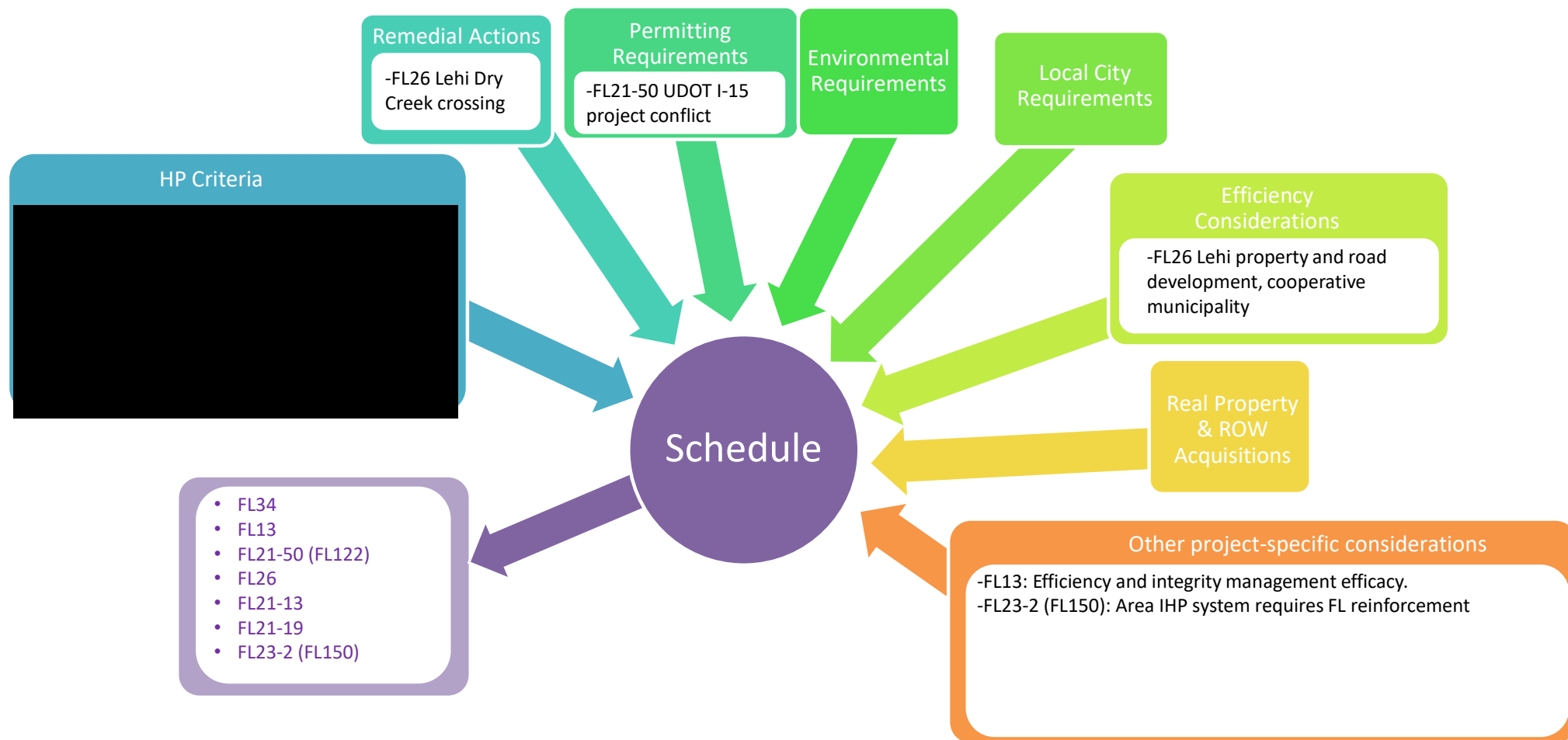


Line	Location
FL34	Salt Lake County
FL13	Salt Lake County
FL21-50 (FL122)	Weber County
FL26	Utah County
FL21-13	Davis County
FL21-19 (FL148)	Davis County
FL23-2 (FL150)	Cache County

## Scheduling Feeder Line Replacements



Scheduling per Section III of the Settlement Stipulation, Docket 13-057-05, Exhibit 4





**Questions?**

