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Attorneys for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR NATURAL GAS SERVICE IN THE STATE OF IDAHO	)	**CASE NO. INT-G-22-07**

UPDATED DIRECT TESTIMONY OF PATRICK C. DARRAS

FOR INTERMOUNTAIN GAS COMPANY

March 9, 2023

I. INTRODUCTION

Q. Please state your name, business address, and position with Intermountain Gas Company.

A. My name is Patrick C. Darras and my business address is 400 North Fourth Street, Bismarck, North Dakota 58501. I am the Vice President – Engineering & Operations Services for Intermountain Gas Company ("Intermountain" or "Company"), Cascade Natural Gas Corporation ("Cascade"), and Montana-Dakota Utilities Co. ("Montana-Dakota"), all subsidiaries of MDU Resources Group, Inc. ("MDU Resources"), as well as Great Plains Natural Gas Co. (a division of Montana-Dakota) collectively the MDU Utilities Group.

Q. Please describe your duties and responsibilities with Intermountain.

A. I have executive responsibility for the development, coordination, and implementation of Company strategies and policies relative to areas of engineering and operations including design, construction, compliance, and pipeline integrity and safety.

Q. Please outline your educational and professional background.

A. I am a graduate of North Dakota State University with a Bachelor of Science Degree in Construction Engineering. I also hold an MBA along with a Master's Degree in Management, both from the University of Mary. In June of 2014 I attended the Utility Executive Course at the University of Idaho.

I began my career in 2002 as a gas engineer with Montana-Dakota in Bismarck, ND. I held that position for four years primarily working with the construction and service group in day-to-day operations. In 2006, I was promoted into the role of Region Gas Superintendent where I was responsible for the overall gas engineering, construction, and

service of the Dakota Heartland Region of Montana-Dakota. I worked in that capacity for two years and was then promoted to Region Director for Montana-Dakota's Dakota Heartland Region and Great Plains. My responsibility in this role was oversight of all gas and electric operations for the Region. In January 2015, I accepted the promotion to Vice President of Operations for Montana-Dakota and Great Plains. My responsibilities in this role included gas and electric distribution operations and engineering across the five states of North Dakota, South Dakota, Montana, Wyoming, and Minnesota. In June of 2018, I accepted my current role of Vice President – Engineering and Operations Services.

Prior to joining Montana-Dakota, I worked for a local industrial contractor specializing in refinery and power plant maintenance along with turn-key construction of industrial facilities such as refineries and food processing plants. I spent seven years with this group in various capacities in engineering, construction, and project management.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (1) provide an overview of the Company's project selection and budgeting process; (2) provide an overview of the Company's major capital projects that have been completed since the last rate case or are currently in progress to be completed by the end of 2022; (3) describe the Company's blanket funding projects; and (4) describe the Company's Public Awareness and Damage Prevention Awareness program.

II. OVERVIEW OF PROJECT SELECTION AND BUDGETING PROCESS

Q. What types of major capital projects does the Company typically perform?

A. The bulk of Intermountain's major capital projects are pipeline replacement projects that have been identified to maintain safety and to reduce risk on Intermountain's system, or

system reinforcements or system expansions that have been identified as needed to ensure system reliability and to accommodate growth on the Company's system. A reinforcement is an upgrade to existing infrastructure or a new system addition, which increases system capacity, reliability, and safety. An expansion is a new system addition to accommodate an increase in demand. Collectively, these are known as distribution enhancements. Distribution system enhancements do not reduce demand, nor do they create additional supply. Instead, enhancements can increase the overall capacity of a distribution pipeline system while utilizing existing gate station supply points.

Q. How does the Company identify safety-related projects?

A. The Company uses the Distribution Integrity Management Program ("DIMP") and the expertise of its own engineers and district managers to identify areas of risk on its system and to develop safety projects required to remediate risk. The DIMP supports Intermountain's understanding of the system and material characteristics and is used to identify, assess, and prioritize integrity risks to Company-owned and operated infrastructure. The Company reviews and analyzes the DIMP risk model outputs after each model run to identify areas of highest risk and those areas where risk increased from the last model run.

Additionally, because the DIMP model does not perfectly capture all risk factors, the Company also considers input from its system engineers, district managers, and other subject matter experts ("SMEs") who have intimate knowledge of specific portions of Intermountain's system to identify other areas of potential concern.

The Company then considers and analyzes existing and proposed measures to address risks to Intermountain's pipeline system. The prioritization and selection of the

appropriate remediation actions depends on the type of risk being addressed, whether the risk is current or potential, and the viability of the remedial action in managing the relevant risk factors.

Q. What types of projects are typically performed to address safety-related concerns?

A. Pipeline replacement is typically the best option to remediate risks associated with corrosion, natural forces, material, weld, joint, and/or equipment issues. If Intermountain determines that replacement is an appropriate action to reduce the risk, the Company establishes a replacement project.

Q. How does the Company prioritize and select safety-related projects?

A. Once pipe segments requiring replacement have been identified via the DIMP process, the Company plans and prioritizes specific projects within these segments. This process ensures that higher risk items are mitigated in a timely manner.

Q. Please provide an overview of Intermountain's identification and selection process for distribution enhancement projects.

A. The Company's Integrated Resource Plan ("IRP") is an important planning tool for identifying and selecting necessary projects. As part of the IRP process, the engineering department works closely with energy services representatives and district management to ensure the system is safe and reliable. As towns develop and add new homes and businesses, the need for pipeline expansions and reinforcements increases. The system expansion projects are historically driven by new city developments or new housing plats. Before expansions can be constructed to serve these new customers, engineering analysis is performed. Using system modeling software to represent cold weather scenarios,

predictions can be made about the capacity of the system. As new groups of customers seek natural gas service, the models provide feedback on how best to serve them reliably.

Another aspect of system planning involves gate capacity analysis and forecasting. Over time, each gate station will take on more and more demand and it is Intermountain's goal to stay ahead of potential reliability issues by predicting and identifying constraints on its system. The IRP growth data, along with design day modeling, allows Intermountain to forecast necessary gate upgrades. SCADA technology utilized by Intermountain allows verification of data with real time and historic gate flow and pressure data.

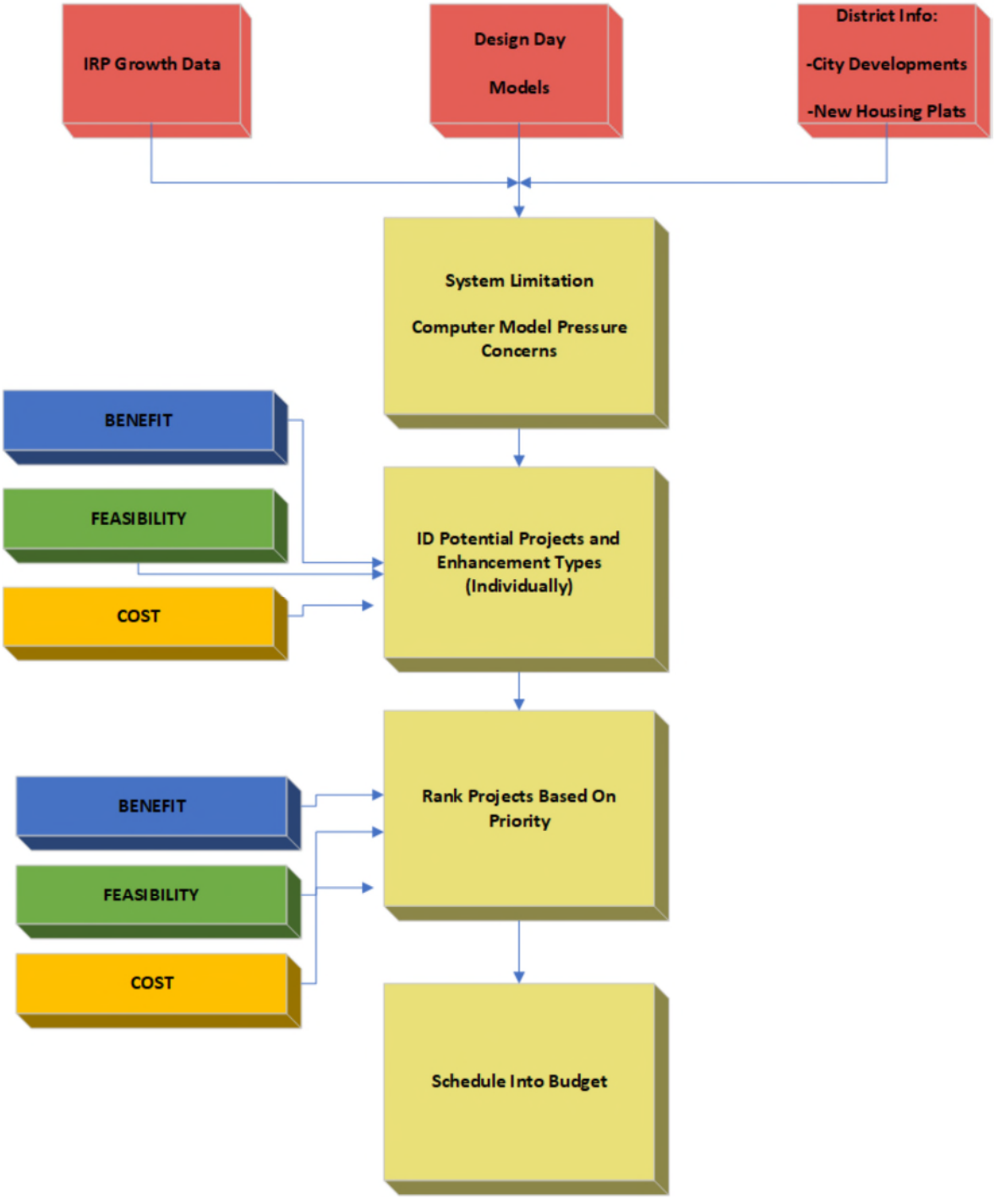
Demand studies facilitate modeling multiple demand forecasting scenarios, constraint identification, and corresponding optimum combinations of pipe modification, and pressure modification solutions to maintain adequate pressures throughout the network. After developing a working demand study, the Company analyzes every system at design day conditions to identify areas where potential outages may occur. These constraint areas are then risk-ranked against each other to ensure the highest risk areas are corrected first and that others are properly addressed. Within a given area, projects/reinforcements are selected using the following criteria:

- The shortest segment(s) of pipe that improves the deficient part of the distribution system.
- The segment of pipe with the most favorable construction conditions, such as ease of access, rights of way, or traffic issues and minimal to no water, railroad, major highway crossings, etc.

- The segment of pipe that minimizes environmental concerns including minimal to no wetland involvement, and the minimization of impacts to local communities and neighborhoods.
- The segment of pipe that provides opportunity to add additional customers.
- Total construction costs including restoration.

Once a project/reinforcement is identified, the design engineer or energy services representative begins a more thorough investigation by surveying the route and filing for permits. This process may uncover additional impacts such as moratoriums on road excavation, underground hazards, discontent among landowners, etc., resulting in another iteration of review of the above project/reinforcement selection criteria. Figure 1, below, provides a schematic representation of the distribution project process flow.

Figure 1. Distribution Planning Project Process Flowchart



Q. How does the Company's Integrated Resource Planning process inform project selection?

A. Intermountain's IRP includes the evaluation of safe, economical, and reliable full-path delivery of natural gas from basin to the customer meter. Securing adequate natural gas supply and ensuring sufficient pipeline transportation capacity to Intermountain's city gates are necessary elements for providing gas to the customer. The other essential element of the IRP process is ensuring the distribution system growth behind the city gates is not constrained. Important parts of this distribution planning process include forecasting local demand growth, determining potential distribution system constraints, analyzing possible solutions, and estimating costs for distribution system enhancements.

Analyzing resource needs in the IRP ensures adequate upstream capacity is available to the city gates, especially during a peak event. Then the distribution planning portion of the IRP process focuses on determining if adequate pressure will be available during a peak heating degree day event to deliver those natural gas resources.

Q. Are all of the major projects identified in the Company's IRP?

A. No. Safety-related projects are not typically included in the IRP because safety-related projects are required by Federal and State Pipeline Safety regulations to ensure we are operating our gas system in the safest manner possible. Generally, the projects that are included in the IRP are distribution enhancement projects, which address system capacity and growth.

Q. Please provide an overview of Intermountain's capital project budgeting process.

A. Capital additions and changes are planned through the annual budget process using PowerPlan ("PP"). The budget process begins with an individual (originator) creating specific funding projects in PP for all new projects to be included in the five-year capital budget. Originators are generally managers at the district level or engineering staff at the

corporate level. Sources of information for capital projects include the IRP, DIMP, Transmission Integrity Management Program ("TIMP"), state and local government agencies, and internal Intermountain personnel. Funding projects are used to hold the capital budget estimates and will be linked to the capital work orders to be created when actual costs commence. A Fixed Asset Financial Analyst reviews the funding projects for proper setup. If the project is not considered a capital expenditure as it was submitted, it is rejected and sent back to the originator for revision, cancelled, or it is moved to Operations and Maintenance ("O&M") Expense. After the review has been completed, the Fixed Asset Financial Analyst will add appropriate overheads and approve the funding project. Blanket funding projects are used year after year to budget for high volume mass property work orders typically under $100,000 each.

Once all the funding projects have been updated with expenditures, various Company operating managers generate reports to show estimated expenditures and justification for each project. The managers perform the review of funding projects and see that any necessary changes are made to the estimate and that the project is supported. Reports are then generated by the budgeting personnel for review and approval by the Directors and Vice Presidents of the Utility Group. Any final budget changes are made, and the budgets are then presented to the Utility Group's President for review and approval. The final Utility Group budget is then presented to the MDU Resources CEO for review and approval. If the budget is approved by the MDU Resources CEO, the final review and approval occurs with the Board of Directors. At each stage of the review and approval process a project (or projects) can be challenged for appropriateness and removed from the capital budget or moved to another year within the five-year budget. The addition or

removal of projects can also be impacted by other factors such as available capital and/or borrowing capacity.

After final approval, an approved budget version is created in PP and locked for entry and the funding projects and estimated amounts in the approved budget version are copied back to the working budget version. Project managers are notified that the budget has been approved and the funding projects are open for work order creation. Projects are monitored and updated throughout the year as part of the review process and to insure, to the extent possible, that projects are completed on time and within the approved budget.

Q. Have there been any changes to these processes since the Company's last rate case?

A. Yes. Beginning in January 2019, MDU Resources has moved toward the "One Vision, One Utility" model discussed in the testimony of Ms. Kivisto. As a result, the engineering department was reorganized, and more consistent tasks and processes were defined. As part of this effort, there is a new internal requirement to develop a more robust analysis for any project with a cost estimate over $1 million dollars. As part of that analysis, the Company develops documentation supporting the project, including a substantial executive summary, alternatives considered, and timing and justification. The engineering managers and directors collaboratively review all projects and determine which are the most important from a risk standpoint and what the timing of the projects should be to best mitigate risks.

III. MAJOR CAPITAL PROJECTS

Q. How much has the Company's average rate base grown since the last general rate case?

A. As explained in the testimony of Mr. Darrington, the Company's average rate base has grown by approximately $150 million since its last general rate case in 2016. Most of the growth in average rate base is related to the Company's investment in average net plant in service which has grown by approximately $148.5 million.

Q. What are the major components of the increase in net plant in service?

A. The major components of the increase in net plant in service are mains, service lines, and meters. These three plant categories account for approximately 90% of the increase in net plant since the last general rate case. The increases in these plant accounts are tied to the significant customer growth in the Company's service territory over the last five years, as described in the testimony of Ms. Kivisto.

Q. Given the significant increase in net plant since the Company's last rate case, please provide a brief description of the major capital projects that are included for recovery in this case.

A. The Company is requesting recovery for the following significant capital projects:

8-inch Cloverdale Phase 2 Betterment (Boise). In 2016 the second phase of the 8-inch Cloverdale betterment project was completed. Phase 1 was completed in 2015. Phase 2 consisted of installing 2 miles of 8-inch high-pressure steel on Cloverdale Road to connect the Victory high pressure system to the Chinden high pressure system to alleviate excess demand on the Chinden high pressure system due to the high levels of growth and development experienced in Ada County. The connection between the two systems is an initial step in a long-term plan to improve service in central Ada County. While the project successfully increased capacity in the area, the two systems are operating at different pressures and are currently disconnected through system valving. This project sets up for

the 12-inch Cloverdale and Kuna gate upgrade which will allow Cloverdale to operate at 500 psig and provide a direct back feed to the Chinden high pressure system.

6-inch Emmett Lateral Betterment (Emmett). The 6-inch Emmett lateral was completed in 2018 and consisted of installing 12 miles of 6-inch-high pressure steel near State Street to the north along Highway 16, up to the existing Emmett high-pressure system. The 6-inch Emmett lateral betterment created a loop and reinforced the existing Emmett high-pressure system. The existing Emmett high-pressure system had a capacity deficit due to growth and could not meet end-of-line delivery pressure requirements which was compromising the distribution system.

12-inch Ustick Betterment Project (Caldwell/Nampa). The 12-inch Ustick overall plan is a three-phase betterment to address capacity limitations in the existing 6-, 8- and 10-inch high-pressure steel pipelines on Ustick that became capacity constrained due to significant growth in Nampa and surrounding communities. Ustick Phase 1 consisted of 1.5 miles of 12-inch and was completed in 2019. Ustick Phase 2 consisted of 2 miles of 12-inch and was completed in 2021. Ustick Phase 3 consists of 4.1 miles of 12-inch and is planned for construction in 2023. Once all of the Ustick phases are completed the 12-inch Ustick system will operate at 500 psig, which will allow for the 500 psig high pressure system to have a direct feed east into Caldwell from the Nampa gate.

8-inch Ketchum Loop Project (Ketchum). The 8-inch Ketchum Loop Project is a high-pressure steel reinforcement project to address peak day demand in the distribution system north of Ketchum. This pipeline project was completed 2019. The Project consisted of installing 9,275 feet of 8-inch steel pipe through the City of Ketchum as well as installation of a new regulator station.

6-inch Orchard Avenue Loop (Nampa). The Orchard Avenue loop consisted of extending 4.5 miles of 6-inch-high pressure steel and 4-inch plastic pipe east of Nampa into a significant growth area that was not supported by a high-pressure steel pipeline. The 4-inch plastic and 6-inch steel were installed within the same trench, which allowed the 4-inch plastic pipe to loop and reinforced the distribution system with regulator stations installed from the high-pressure system.

Nampa LNG Compressor and Building (Nampa LNG Plant). Installed and placed into service in 2016, the new Ariel compressor is a replacement to an existing Penn compressor performing the same function. The old Penn compressor was becoming unreliable and outdated.

Nampa LNG Tank Upgrades (Nampa LNG Plant). The 7.35-million-gallon cryogenic LNG tank had a transition joint that began to fail and the outer tank had developed a small corrosion leak. Consequently, the tank was emptied of product, the transition joint was replaced, tank repairs performed, and additional enhancements were completed while the tank was out of service. This is the only time the tank has been removed from service since it was commissioned in 1974.

Western Region Improvements – parking lot and new building (Boise). The Boise District Operations Center was improved with a replaced and expanded parking and storage substructure and asphalt surface, covered parking for construction and emergency response vehicles and equipment, and an expansion to the welding fabrication shop.

Eastern Region Construction Building (Pocatello). The Pocatello District purchased a 50’ x 523’ parcel of land adjacent to the Company’s current office location in Pocatello and built a new shop to house construction vehicles, crew, and welding shop.

12-inch Cloverdale High Pressure Betterment and Kuna Gate Upgrade (Boise). The 12-inch Cloverdale Betterment consists of installing 3 miles of 12-inch high-pressure steel from the new Kuna gate upgrade to back feed the existing Cloverdale Road and Victory Road high pressure system. Due to historically high levels of growth in Boise, the Central Ada County area of interest requires a reinforcement to meet IRP growth predictions, this reinforcement will address the 8-inch and 10-inch bottleneck on Meridian Road and Victory Road downstream of the Meridian Gate.

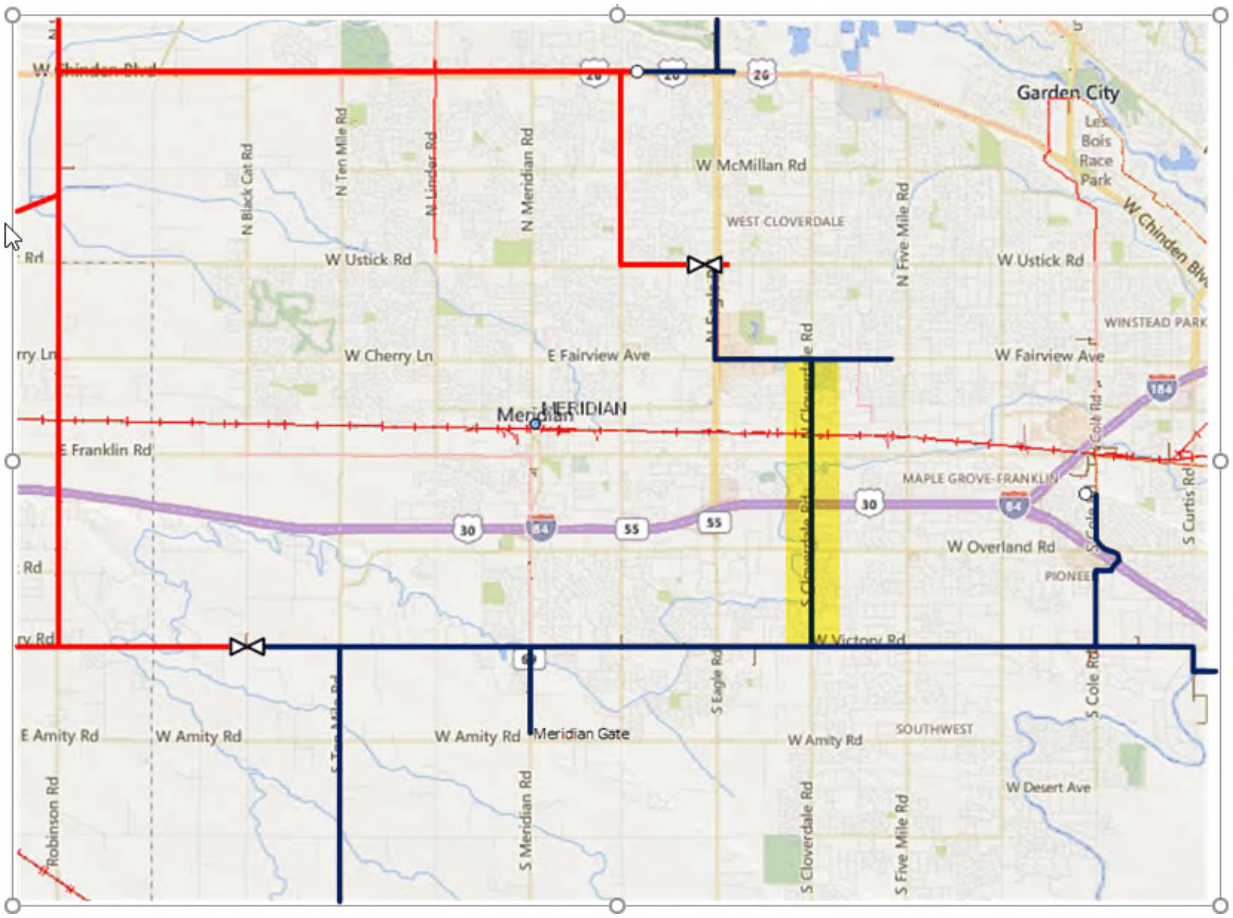
8-inchCloverdale Phase 2 Betterment Project (Boise).

Q. Please describe the 8" Cloverdale Phase 2 Betterment Project.

A. The 8-inch Cloverdale Phase 2 betterment installed 2 miles of 8-inch high-pressure steel on Cloverdale from Fairview Ave to Florida Drive. Phase two connected to Phase one (completed in 2015) which installed 8-inch high-pressure steel from Florida Drive to Victory Road. This project connected the Chinden high pressure system fed from the Nampa Gate to the Victory and Meridian Road high pressure system fed by the Meridian Gate. This project provided additional capacity to the Chinden high pressure system which was seeing high pressure loss down the pipeline due to high velocity which compromised end of line delivery pressures due to high levels of growth and development experienced in Ada County. Using valving this project allows the 8-inch Cloverdale high pressure line to back feed the Chinden high pressure system from the Victory Road high pressure system during peak demand events. This project is part of the long-term plan to run 12-inch high-pressure on Cloverdale back to the Kuna Gate upgrade (discussed below) to provide a back feed from the Kuna Gate to the Chinden high pressure and Victory and Meridian Road high pressure systems. Phase 1 and Phase 2 of the 8-inch Cloverdale betterment are shown in

the map below in Figure 2. Red pipe illustrates the Chinden high pressure system that operates at 500 psig Maximum Allowed Operating Pressure (MAOP) and dark blue pipe is the Meridian/Victory high-pressure system that operates at 390 psig MAOP.

Figure 2: 8-inch Cloverdale Betterment



Q. Why did the Company undertake the 8-inch Cloverdale Phase 2 Betterment?

A. The 8-inch Cloverdale betterment was completed to meet IRP growth predictions for the Central Ada County area of interest. The project was identified in the 2014 and 2016 IRPs. The project provided a capacity increase to the Central Ada County high-pressure system which required a capacity increase to meet IRP growth predications to maintain reliable service during peak demand events and setup for future enhancements to continue to meet long-term growth needs.

Q. What work has been completed or will be performed on the 8-inch Cloverdale Phase 2 Betterment?

A. Phase 1 installed 1 mile of 8-inch steel.

Phase 2 installed 2 miles of 8-inch steel.

Q. How will Intermountain customers benefit from the 8-inch Cloverdale Phase 2 Betterment project?

A. This project provided additional capacity for growth and positions the Company for future high-pressure projects that will be needed to meet long term growth predictions in the Ada County area of interest.

Q. Did the Company consider alternative ways to meet the need for the 8-inch Cloverdale Phase 2 Betterment?

A. An alternative to completing this project would have been an alternate reinforcement to the Chinden high-pressure system. This alternative could have been a pipeline loop or replacing existing pipe with larger sized pipe. This alternative was not chosen since the alternate reinforcement would not have provided the same total capacity as the long-term planning solution of continuing the high pressure down Cloverdale to the Kuna gate and providing a back feed to the Chinden high-pressure system from the Kuna gate. An alternative reinforcement to the Chinden high-pressure system also would not have provided the opportunity to create a 500 psig high-pressure loop in Boise fed from multiple gates.

Q. When was the work completed for the 8-inch Cloverdale Betterment?

A. Phase 1 was completed in 2015.

Phase 2 was completed in 2016.

Q. What are the final costs for the 8-inch Cloverdale Betterment?

A. Phase 1 Cost came in at $1,287,778.

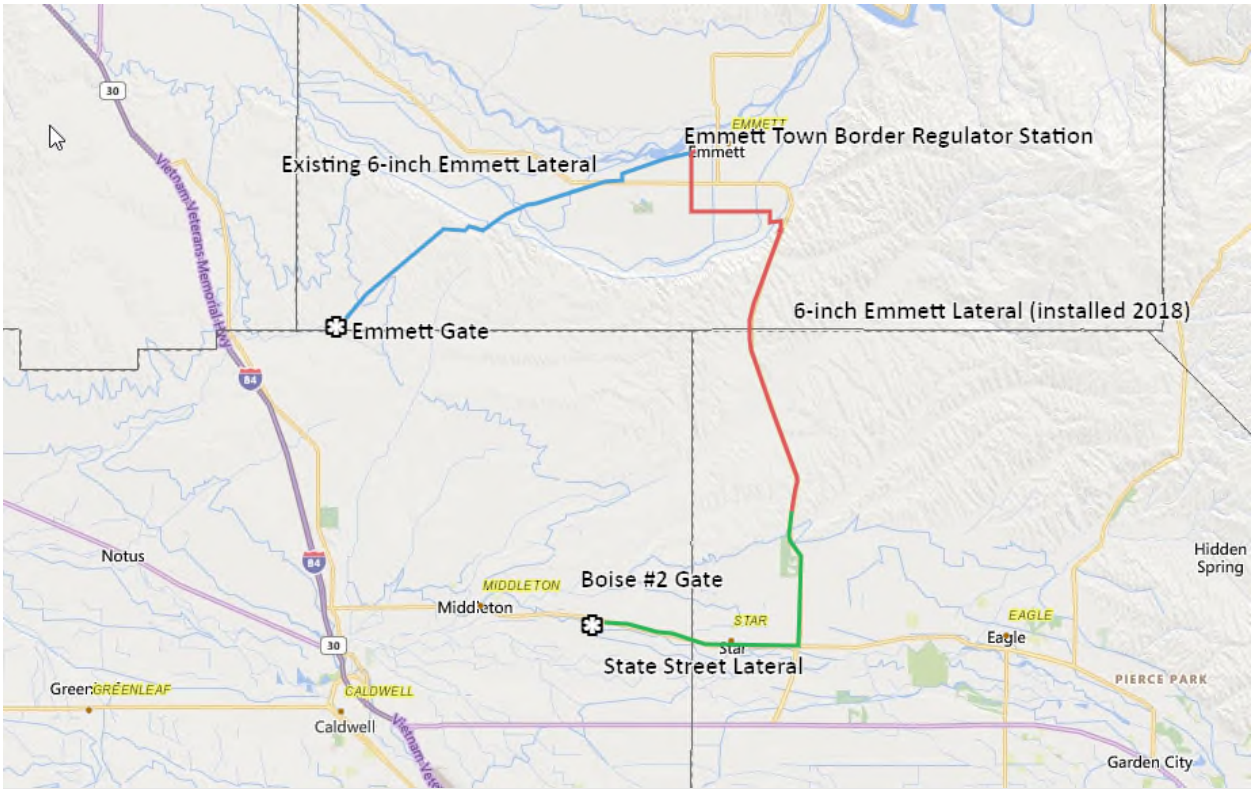
Phase 2 Cost came in at $2,065,920.

6-inch Emmett Lateral (Emmett)

Q. Please describe the 6-inch Emmett Lateral Project.

A. The 6-inch Emmett Lateral is a high-pressure betterment that installed 12 miles of 6-inch high-pressure steel from Star to Emmett along Highway 16. The existing Emmett lateral that runs from the Emmett gate into Emmett was installed in 1957 and was at capacity and could no longer support growth. The pipeline was experiencing significant pressure loss down the pipeline which compromised end of line pressures that were unable to meet delivery pressure requirements during peak demand. Both the existing Emmett lateral and Emmett gate station needed a capacity upgrade. To reinforce this system and avoid a gate upgrade, Intermountain reinforced the Emmett high-pressure system by running a new pipeline from Star on Highway 16 from the Boise #2 gate on Highway 44. The Boise #2 gate had adequate capacity to supply Emmett and avoided a gate station upgrade at the Emmett gate. Running pipe on Highway 16 created a high-pressure loop between the Emmett gate and Boise #2 gate and provided service opportunities off Highway 16 which previously did not have gas nearby. This project is shown on the map below in Figure 3, the new 6-inch Emmett lateral is shown in red, the existing State Street lateral is shown in green and the existing Emmett high-pressure pipeline is shown in blue.

Figure 3: 6-inch Emmett Lateral Project



Q. Why did the Company undertake the 6-inch Emmett Lateral project?

A. This project was completed to meet growth predictions in Emmett and to enable the Company to continue to provide safe and reliable service to the town of Emmett. This reinforcement allowed the system to meet current customer demands in Emmett as well as future predicted demand to be delivered at acceptable end of line pressures.

Q. What work has been completed for the 6-inch Emmett Lateral project?

A. 12 miles of 6-inch high-pressure steel has been installed from Deep Canyon Drive north on Highway 16 to the Emmett town border regulator station.

Q. How will Intermountain customers benefit from the 6-inch Emmett Lateral project?

The new 6-inch Emmett Lateral guarantees reliable service to the town of Emmett during peak demand/cold weather events. Before this reinforcement was completed the existing Emmett lateral end of line pressure would have been compromised and not able to meet delivery pressure requirements.

Q. Did the Company consider alternative ways to meet the need for the 6-inch Emmett Lateral project?

A. Two alternatives were considered to address the deficit in the existing Emmett lateral. The first alternative consisted of uprating the existing Emmett lateral from 150 psig MAOP to a 500 psig MAOP and upgrading the existing Emmett gate station. The first alternative was not selected due to the unknowns associated with increasing pressure on 1957 vintage pipe. The second alternative consisted of replacing the existing 6-inch Emmett lateral with a new pipeline that could be operated at high pressure along the same route and upgrading the existing Emmett Gate. The second alternative would have incurred additional costs to upgrade the existing Emmett Gate Station. Gate station upgrades are currently running in the range of $2 million dollars, so when compared to the similar pipeline footage this option would have had higher costs. The selected option looped two high-pressure systems and gate stations which provides operational flexibility along Highway 16.

Q. When was the work completed for the 6-inch Emmett Lateral project?

A. The 6-inch Emmett lateral was installed in 2018.

Q. What were the final costs of the 6-inch Emmett Lateral project?

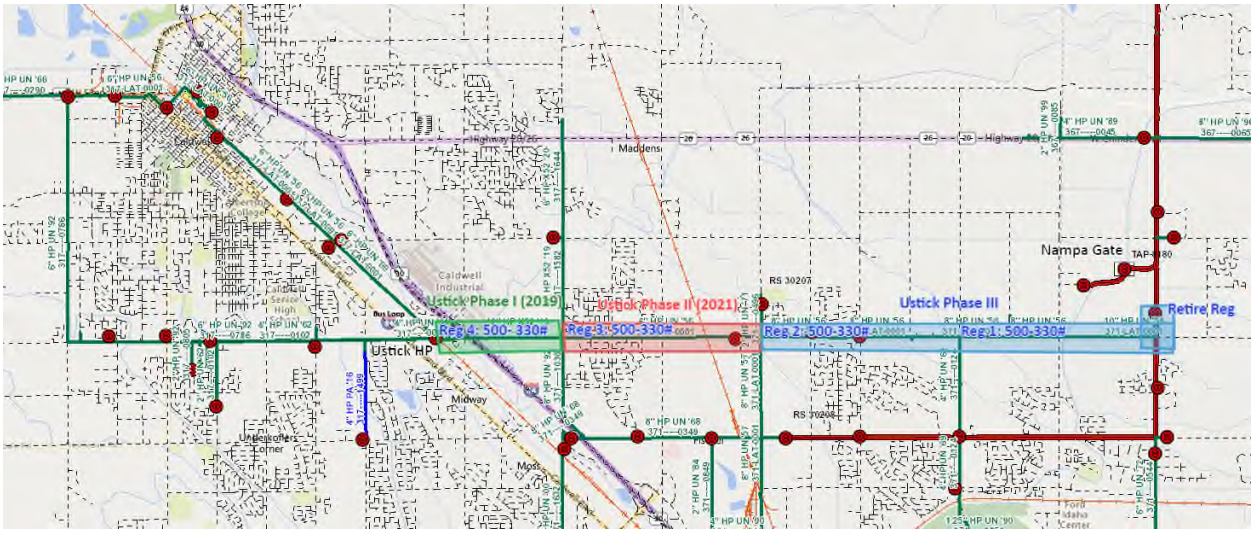
A. The final project cost came in at $4,173,271.72.

<u>12-inch Ustick Betterment Project (Nampa)</u>

Q. Please describe the 12-inch Ustick Betterment Project.

A. The 12-inch Ustick betterment is a three-phase project consisting of installing 7 miles of 12-inch high-pressure steel operating at 500 psig along Ustick Road in Nampa to meet IRP growth predications. Due to significant growth in Nampa and surrounding communities the Canyon County area of interest had limited capacity in the existing 6-, 8- and 10-inch high-pressure pipelines operating at a 330 psig MAOP on Ustick Rd. The bottleneck caused excessive pressure losses through this section of high pressure immediately out of the Nampa gate running west to serve Nampa and Caldwell causing compromised downstream pressures which were unable to meet delivery pressure requirements. The first phase was completed in 2019 and consisted of installing 1 mile of 12-inch steel high pressure west of the railroad tracks to Middleton Road. The second phase of the project was completed in 2021 and consisted of installing 2 miles of 12-inch steel high pressure from Middleton Road to Northside Blvd. The third phase of the project is proposed for 2023 and will consist of installing 4 miles of 12-inch high-pressure steel from Northside Blvd east to Star Rd with a short section running north on Star Road and will include four regulator station installations. Once all three phases are completed the 12-inch high-pressure steel installed in the three phases will operate at the designed 500 psig MAOP from the Nampa gate. The three project phases are shown in Figure 4 below.

Figure 4: 12-inch Ustick Betterment Project



Q. Why is the Company undertaking the 12-inch Ustick betterment Project?

A. The three phases of the 12-inch Ustick betterment are needed to meet IRP growth predictions for the Canyon County area of interest. Phase 1 was identified in the 2019 IRP. Phase 2 and 3 were identified in the 2021 IRP. The project provided a capacity increase to the Canyon County high-pressure system which required a capacity increase to meet IRP growth predications to maintain reliable service during peak demand events.

Q. What work has been completed or will be performed for the 12-inch Ustick betterment Project?

A. Phase 1 installed 1 mile of 12-inch steel.

Phase 2 installed 2 miles of 12-inch steel.

Phase 3 will install 4 miles of 12-inch steel and 4 regulator stations.

Q. How will Intermountain customers benefit from the 12-inch Ustick betterment project?

A. This project provides additional capacity to meet current and long-term growth predictions.

Q. Did the Company consider alternative ways to meet the need for the 12-inch Ustick betterment project?

A. Two alternatives were considered for this project. The first alternative consisted of retesting the existing 1956 vintage 6-inch, 8-inch and 10-inch high-pressure steel on Ustick to operate at 500 psig MAOP and installing the same four regulator stations required in Phase 3. This alternative was not selected due to the unknowns of re-pressure testing 1957 vintage pipe. The second alternative was installing 6.5 miles of 8-inch high-pressure steel North of the Nampa gate that would operate at 500 psig MAOP along Linden Rd to connect the existing Nampa high pressure system with a regulator station cutting pressure to the current 330 psig MAOP. This option was not considered since it could only support predicted growth through 2026 and the cost difference between installing 8-inch and 12-inch was marginal. The option selected supported long-term growth and did not require another high-pressure line in a new area that would require additional operations and maintenance cost. Replacing the 6-inch, 8-inch, and 10-inch 1956 vintage line with new 12-inch high-pressure steel was determined to be the most favorable option.

Q. What is the timing or when was the work completed for the 12-inch Ustick betterment project?

A. Phase 1 was completed in 2019.

Phase 2 was completed in 2021.

Phase 3 will be completed in 2023.

Q. What are the estimated or final costs for the 12-inch Ustick betterment project?

A. Phase 1 final cost came in at $2,565,069.87.

Phase 2 final cost came in at $2,915,772.

Phase 3 is budgeted for $8,480,000.[1]

8-inch Ketchum Loop Project (Ketchum)

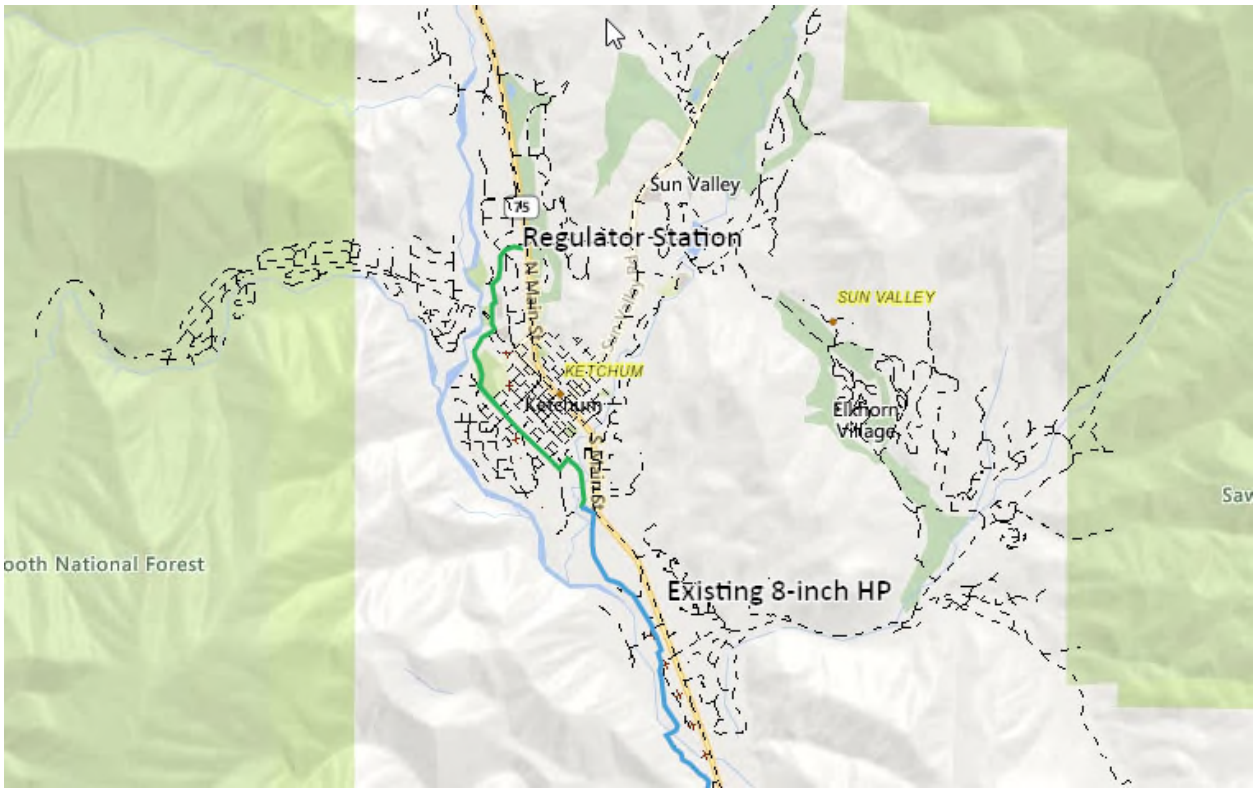
Q. Please describe the 8-inch Ketchum Loop Project.

A. This project extended high pressure further north into Ketchum and consisted of installing 1.75 miles of 8-inch high-pressure steel running north from Serenade Lane to a new regulator station located at Saddle Road and Hwy 75. This high-pressure extension increased capacity in North Ketchum and reinforced the distribution system by boosting design day pressures in North Ketchum. The project is shown in Figure 5, pipe in green is

[1] Phase 3 of the Ustick betterment project is provided for information purposes. The project closes in 2023 and is outside of the 2022 test year.

the 8-inch Ketchum loop project and pipe in is blue is the exiting 8-inch Ketchum high-pressure system.

Figure 5: 8-inch Ketchum Loop Project



Q. Why did the Company undertake the 8-inch Ketchum Loop project?

A. The north end of the distribution system along Hwy 75 near the Sawtooth National Recreation Area (SNRA) Visitor Center was dropping below the minimum design pressure requirements during cold weather events due to continued growth in the Ketchum and Sun Valley area. Compromised system pressures can have high risk of losing customers on the north end of the system during a peak day event resulting in the need for a new regulator station in the vicinity of Saddle Road and Hwy 75. The 8-inch loop project was needed to provide a high-pressure feed into the regulator station at Saddle Road to increase the pressure in the Ketchum distribution system.

Q. What work has been completed for the 8-inch Ketchum Loop project?

A. The Company installed 1.75 miles of 8-inch high-pressure steel and a regulator station.

Q. How will Intermountain customers benefit from the 8-inch Ketchum loop project?

A. The benefit of the project is increased capacity and pressures on the north end of the Ketchum distribution system and a greatly reduced risk of residential customers losing gas service during a peak day event.

Q. Did the Company consider alternative ways to meet the need for the 8-inch Ketchum loop project?

A. . An alternative option to a high-pressure extension and regulator station is to complete distribution system upgrades and loops from the existing regulator stations and established trunk lines. This option was not considered since the distribution system enhancements required to get the needed capacity and pressures into north Ketchum were more significant than the high-pressure extension and regulator station.

Q. When was the work completed for the 8-inch Ketchum loop project?

A. 2,000 ft of 8-inch steel high pressure was installed in 2018.

7,400 ft of 8-inch steel high pressure was installed in 2019.

Q. What were the final costs for the 8-inch Ketchum loop project?

A. 2018 pipeline project cost came in at $993,503.08.

2019 pipeline project cost came in at $3,003,848.87.

Regulator station land purchase costs came in at $34,082.56

Regulator station costs came in at $147,142.37

6-inch Orchard Avenue Loop (Nampa)

Q. Please describe the 6-inch Orchard Avenue Loop Project.

A. The 6-inch Orchard Avenue Loop is a system reinforcement project that was needed to meet IRP growth predictions in a significant growth area in western Nampa. The project extended 4.5 miles of 6-inch high-pressure steel along Orchard Avenue from Middelton Road east to Montana Avenue. This high-pressure extension reinforced the distribution system and allowed for regulator station installations east of Nampa which provided a back feed to the distribution system. The project is shown below in Figure 6, blue pipe is the

existing high-pressure system in Nampa and green pipe is the 6-inch Orchard Ave loop project.

Figure 6: 6-inch Orchard Avenue Loop Project

Q. What work has been completed on the 6-inch Orchard Avenue Loop project?

A. 4.5 miles of 6-inch high-pressure steel and 4-inch plastic pipe was installed with two regulator stations.

Q. How will Intermountain customers benefit from the 6-inch Orchard Avenue loop project?

A. This project addressed distribution deficit concerns in western Nampa and will allow the Company to continue to support growth predictions outlined in the IRP for the Canyon County area of interest. This project was identified in the 2019 and 2021 IRPs. This project also extended gas service east on Orchard Avenue allowing for new service opportunities.

Western Nampa along Orchard Avenue is currently seeing significant subdivision development.

Q. Did the Company consider alternative ways to meet the need for the 6-inch Orchard Avenue loop project?

A. An alternative to this high-pressure extension would have been completing significant distribution system upgrades to increase capacity and design day pressures into western Nampa to support IRP growth predictions. Distribution system looping was not considered since it would only address distributions system deficits for a couple of years of growth while the high-pressure extension could support longer term growth predictions.

Q. When was the work completed for the 6-inch Orchard Avenue loop project?

A. This project was completed in 2020.

Q. What are the estimated or final costs of the 6-inch Orchard Ave. loop Project?

A. Pipeline cost came in at $2,578,689.26

Regulator station costs came in at $53,986.03 and $70,995.78.

Nampa LNG Compressor and Building (Nampa LNG Plant).

Q. Please describe the Nampa LNG Compressor and Building Project.

A. The new Ariel compressor is a 4-stage compression unit driven by a 200-horsepower electric motor. The compressor is anchored to a concrete pad designed to reduce any movement or vibration. The compressor is housed within a pre-engineered metal building to protect the unit from outside elements, to house the compressor controls and electrical components, and to support an overhead crane required for maintenance activities. Mounted within the building are safety controls such as methane detectors, fire monitoring and an active ventilation system.

Q. Why did the Company install a new compressor and building?

A. The compressor is designed to remove methane from the LNG tank when the cryogenic liquid has increased in temperature and phase changed into a vapor, commonly referred to as "boil-off gas". Removing the boil-off gas maintains a safe pressure in the tank and prevents the vapor from venting to atmosphere. The vapor is removed at a low pressure, approximately 0.5 PSIG, and the Ariel then compresses the vapor to approximately 500 PSIG for injection back into the local distribution system.

Q. What work was performed for the Nampa LNG Compressor and Building project?

A. The Company performed the following work: conditional use permitting, foundation and building design, electrical power to site, control systems and alarms, construction of the compressor and construction of the building and related pipeline components.

Q. How will the Nampa LNG Compressor and Building project benefit Intermountain customers?

A. This project provides a reliable compressor to continually draw boil-off gas from the LNG tank and inject the gas into the Company's distribution system.

Q. Did the Company consider alternative ways to meet the need for the Nampa LNG Compressor and Building project?

A. No alternatives adequately addressed the situation.

Q. When was the work completed for the Nampa LNG Compressor and Building project?

A. Planning and design started in 2015, construction and commissioning were completed in 2016.

Q. What were the final costs of the Nampa LNG Compressor and Building project?

A. The project cost was $2,422,795.

Nampa LNG Tank Upgrades (Nampa LNG Plant)

Q. Please describe the Nampa LNG Tank Upgrades.

A. While the LNG tank was out of service Intermountain replaced the aluminum to stainless steel transition joint, replaced a corroded section of carbon steel on the outer tank, replaced all valves directly connected to the tank, installed a new liquid level system in the tank, installed a new rooftop catwalk system, and performed an internal inspection of the cryogenic aluminum inner tank.

Q. Why did the Company perform the LNG tank upgrades?

A. Replacement of the transition joint was performed in order to replace a failing original piece of 1974 equipment that cycled regularly and had reached end of life. The corroded section of outer tank was replaced because it had begun to leak; the corrosion area was in an undetectable location. The tank valve replacement, liquid level system, catwalk installation and internal inspection were completed as opportunistic safety and operational upgrades while the tank was out of service.

Q. What work has been completed for the LNG tank upgrades Project?

A. The tank was emptied of product, warmed to ambient temperature and removed from service in order to complete the upgrades. At the end of the project the tank was filled with methane, cooled down and filled with LNG.

Q. How will the LNG tank upgrades project benefit Intermountain customers?

A. The tank functioning properly allows the Company to continue to store LNG for utility and non-utility customers. Utility LNG provides a close and reliable supply of product to the Rexburg LNG Facility and provides peak shaving and emergency backup to the the Company's distribution system.

Q. Did the Company consider alternative ways to meet the need for the LNG tank upgrades project?

A. No alternatives adequately addressed the situation.

Q. What was the timing of the LNG tank upgrades project?

A. The project began in 2021 and was completed in early 2022.

Q. What were the costs of the LNG tank upgrades project?

A. The final project cost was $6,642,454.

Western Region Improvements – parking lot and new building (Boise)

Q. Please describe the Western Region Improvements to the Boise District Operations Center parking lot and storage building.

A. The Boise District Operations Center was last improved in 1976. In 2018, the Boise District Operations Center was improved with a replaced and expanded parking and storage substructure and asphalt surface, covered parking for construction and emergency response vehicles and equipment, and an expansion to the weld fabrication shop.

Q. Why did the Company build the new structure and parking lot?

A. The existing parking and driveway asphalt was severely damaged and did not have an aggregate base and asphalt thickness to accommodate the weight of current construction vehicles and equipment. The parking and material storage areas did not accommodate current staffing levels and material volumes. Construction vehicles and equipment were not protected from snow and ice buildup and the only way to plug in block heaters was to drape extension cords in a manner that exposed them to weather and vehicle traffic. In extreme cold temperatures, emergency response was delayed when vehicles and equipment needed to be de-iced or would not start. The original weld shop did not have rest room

facilities, accommodate current construction employee count, or the fabrication volumes of large volume meters and regulator stations. To save costs by minimizing the size of the weld shop expansion, several metal out building were constructed to store equipment that does not require climate-controlled storage.

Q. What work has been completed for the new structure and parking lot?

A. The project was completed in 2018.

Q. How will the new structure and parking lot benefit Intermountain customers?

A. In extreme cold events, customers can be assured of the quickest response times, equipment can be properly maintained and ready to operate when needed, parking is available for the current level of staffing, and operations can be performed in the most efficient manner.

Q. What were the costs of the new structure and parking lot project?

A. The project cost was $ 2,747,433.

Eastern Region Construction Building (Pocatello)

Q. Please describe the Eastern Region Construction Building in Pocatello project.

A. The Pocatello District purchased a 50’ x 523’ piece of land adjacent to the current office location in Pocatello. This land was purchased ito build a new shop that would house construction vehicles, crew and weld shop.

Q. Why did the Company build the new structure and parking lot?

A. There were many reasons that it was imperative to build the new 80’ x 100’ facility. First, this project gave the Company a dedicated weld shop that includes enough space for welding and construction of large regulator stations and meters for the Eastern Region. It allowed the Company to also install a crane to facilitate movement of large and heavy fabricated pieces safely. Additionally, the project gave the Company the ability to park

emergency construction equipment inside so that it was ready to go at a moment's notice in the winter without cold weather concerns. Finally, the project included adequate space for a growing workforce to operate safely and efficiently. The project included new concrete, asphalt, fencing/gates, and security cameras. This allowed the Company to move work vehicles and staff vehicles to a fenced/gated area for the safety of employees.

Q. What work has been completed for the new structure and parking lot?

A. The project was completed in 2018.

Q. How will the new structure and parking lot benefit Intermountain customers?

A. In extreme cold events, customers can be assured of the quickest response times, equipment can be properly maintained and ready to operate when needed, parking is available for the current level of staffing, and operations can be performed in the most efficient manner.

Q. What were the costs of the new structure and parking lot project?

A. The project cost was $ 2,522,835.

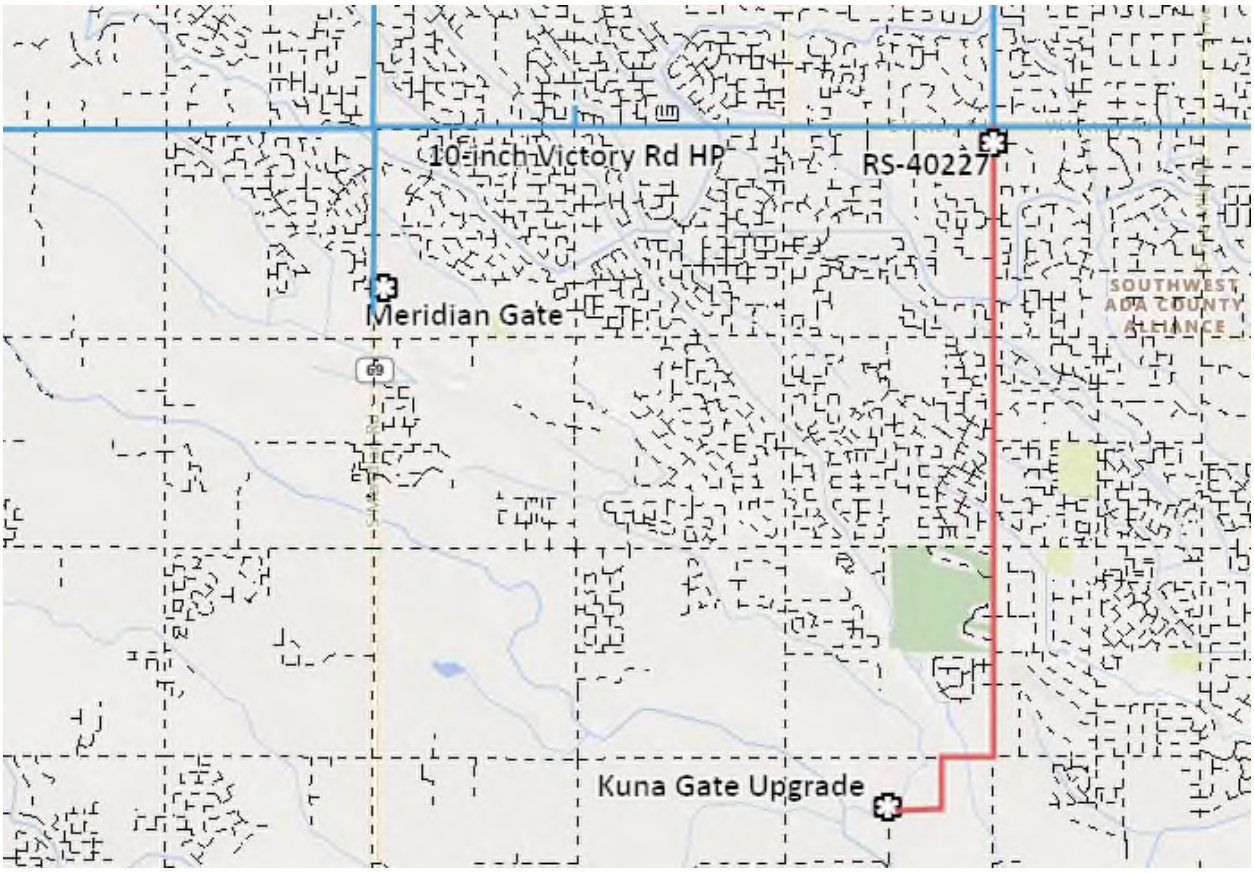
12-inch Cloverdale Back feed and Kuna Gate Upgrade (Boise)

Q. Please describe the 12-inch Cloverdale Back feed and Kuna Gate Upgrade Project.

A. The 12-inch Cloverdale back feed and Kuna gate upgrade is a system reinforcement project that is needed to meet IRP growth predictions in a significant growth area in the Ada County area of interest. The 12-inch Cloverdale Betterment consists of installing 3 miles of 12-inch high-pressure steel from the new Kuna gate upgrade to back feed the existing Cloverdale Road and Victory Road high pressure system with a regulator station near Victory Road. This reinforcement will address the 8-inch and 10-inch bottleneck on Meridian Road and Victory Road downstream of the Meridian Gate. The project is shown below in Figure 7. Blue pipe represents the existing high-pressure system and red pipe the

12-inch Cloverdale back feed, regulator station (RS-40227) and Kuna Gate Upgrade project.

Figure 7: 12-inch Cloverdale Back feed and Kuna Gate Upgrade Project



Q. What work has been completed or will be performed on the 12-inch Cloverdale Back feed and Kuna Gate Upgrade project?

A. The 12-inch Cloverdale back feed is currently in construction. Pipeline construction started in August 2022. The Kuna gate upgrade is currently in construction and RS-40227 is in fabrication. This project is forecasted to be completed in second quarter of 2023.

Q. How will Intermountain customers benefit from the 12-inch Cloverdale Back feed and Kuna Gate Upgrade Project?

A. This project will address high pressure deficit concerns in Ada County and will allow the

Company to continue to support growth predictions in the IRP for the Central Ada County area of interest. This project was identified in the 2021 IRP.

Q. Did the Company consider alternative ways to meet the need for the12-inch Cloverdale Back feed and Kuna Gate Upgrade Project?

A. Two alternatives were considered in lieu of this project. The first alternative considered was to retest and then uprate the 2.5 miles of 10-inch-high pressure steel pipe on Meridian Road and Victory Road and install two new regulator stations to cut pressure to the existing MAOP. The first alternative was not considered due to unknowns associated with pressure testing 1956 vintage pipe and the risk that this pipe could not pass the pressure test or uprate requirements in addition to unknown cost if sections had to be isolated during the pressure test to find leaks and/or be repaired. Meridian and Victory Road is a high traffic area which would have included significant restoration costs to access and repair leaks on the pipe. The second alternative considered was to install a compressor station on Victory Road to boost pressures down the lateral. A compressor within city limits would be challenging to permit and it would have been difficult and expensive to find a two-acre site to acquire along Victory and Meridian Road.

Q. What is the timing for the work to be completed on the 12-inch Cloverdale Back feed and Kuna Gate Upgrade Project?

A. The projects were forecasted to be completed in late 2022. However, the projects are now expected to be completed in the second quarter of 2023. See below for additional information.

Q. What are the estimated costs of the 12-inch Cloverdale Back feed and Kuna Gate Upgrade Project?

A. The Company estimates the project costs as follows:

Pipeline cost is estimated at $7,846,079. However, the project did not close in 2022 and no value was added to plant in service.

Regulator station (RS-40227) cost is estimated at $428,179. The land portion of the project, valued at $50,670, was placed in service in 2022.

Intermountain Kuna Gate upgrade is estimated at $673,714 However, the project did not close in 2022 and no value was added to plant in service.

Northwest Pipeline Kuna Gate upgrade cost is estimated at $5,537,181. However, the project did not close in 2022 and no value was added to plant in service.

Q. Is this project included in the Company's test year in this case?

A. As indicated above, only the land portion of the project was placed in service in 2022 and included in the test year in this rate case proceeding.

IV. BLANKET FUNDING PROJECTS

Q. Please describe the Company's use of "blanket" funding for capital projects.

A. Blanket funding is used for certain types of capital work that historically occurs every year but is not specifically known at time of budgeting. Examples of blanket funding projects include: 1) replacement of regulator stations due to location, damage or capacity; 2) new regulator stations due to growth; and 3) distribution pipe replacement projects in city, state or county roadways due to road widening projects. Replacement of pipe in roadways is heavily dependent upon funding from various state and federal agencies and it is not known what projects may be required or how much funding will be available from these agencies at the time the Company creates its capital budget. Work Orders are created within a Funding Project that are estimated at less than $100,000. Work Orders greater than

$100,000 require their own Funding Project number.

Q. How does the Company budget for blanket funding?

A. The Company reviews certain types of capital work that historically occurs each year in each state as well as communicating with local governing agencies to help determine what projects are planned and/or scheduled locally. The Company then estimates a reasonable budget cost for each state based on current known or scheduled work and historical average annual costs.

Q. In total, how much of the Intermountain's capital budget is attributable to blanket funding projects?

A. Out of Intermountain's 2022 capital budget of $68.2 million, approximately $31.7 million is attributable to blanket funding projects, which represents a significant percentage of the annual capital budget.

V. PUBLIC AWARENESS AND DAMAGE PREVENTION

Q. Please describe the Company's Public Awareness and Damage Prevention efforts and related recommended practices

A. *Public Awareness:* Intermountain follows the American Petroleum Institute (API) Recommended Practice (RP) 1162 which is incorporated by reference into Part 192. Activities surrounding public awareness include educating the public, appropriate government organizations and persons engaged in excavation activities on the following: (1) use of the Idaho one call system, Digline of Idaho ("Digline") prior to excavation; (2) possible hazards associated with unintended releases from a gas pipeline facility; (3) physical indications that such a release may have occurred; (4) steps that should be taken

for public safety in the event of a gas pipeline release; and (5) procedures for reporting such an event.

Damage Prevention: The Company engages in location of gas facilities prior to excavation work (when notified by the excavator) through its contractual relationship with Digline of Idaho. Excavators can call Digline at no charge to the excavator. Digline then contacts a Company representative who locates Intermountain's gas facilities within 48 hours of the request. Additionally, Company representatives regularly meet with excavators to educate them about the importance of safe excavation.

Q. How does the Company's One-Call notification process work in Idaho?

A. According to Idaho State Law (Idaho Code section 55-2205(1)), an excavator, prior to conducting an excavation in the State of Idaho must typically notify the underground facility owner by way of a One-Call service. For the Company, which owns underground natural gas facilities, the One-Call service is provided by its contractor, Digline of Idaho. With few exceptions, the excavator must call the one-call notification center (811) at least two business days but not more than ten business days before the scheduled date of excavation.

Upon receipt of the excavation notice, the underground utility owner or its agent must locate and mark facilities in the proximity of the proposed excavation location with "reasonable accuracy". Intermountain contracts its facility locating services to ELM Utility Locating Services ("ELM"), which in most cases, is required by law to perform the locates requested within two business days after the receipt of an excavation notification.

Q. How important is the One-Call notification process for the enhancement of stakeholder and community safety related to underground facilities?

A. In the Company's experience the one-call notification process and its valuable relationships with One-Call contractors and expert locators are vital to meeting and enhancing its important obligations to community and stakeholder safety around its natural gas facilities.

The role of the one-call service operator is vital because they are the first point of contact with the excavator and gather important information related to the excavation in question. Utilizing database software, which cross-references the territory with GPS coordinates and street level information from Idaho's county assessors, the One-Call service provides a high degree of accuracy with each locate request. In addition, the One-Call service notifies all facility owners within a proposed excavation area who in turn perform their own facility locates within the period specified by State Law. This ability allows for coordination of relevant stakeholders makes the service valuable to the Company's objective to ensure and enhance customer safety.

Q. Is there a cost associated with the Company's use of Digline One-Call and ELM locating services?

A. Yes. While one-call notification services are provided free of charge to the general public, the Company does incur a nominal fee for every One-Call locate requested. In the Company's case, Digline charges the Company $1.72 per One-Call locate ticket transaction.

The costs associated with ELM's locating service are a part of a contractual agreement with the Company to provide locating services within its service territory. The current contract was selected after an open bidding process in which the Company evaluated a set of criteria including cost and reliability in providing locating services.

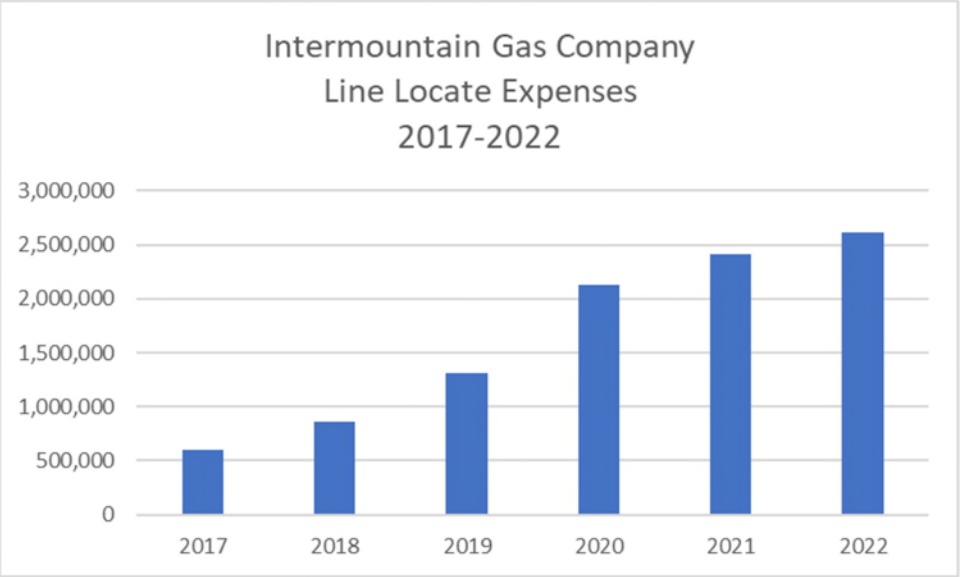
Q. Can the Company's costs associated with Digline vary over time?

A. Yes, as mentioned, Digline currently charges Intermountain $1.72 per One-Call locate ticket transaction. As the volume of locate tickets requested increase or decrease the cost to the Company can fluctuate. For example, between 2019 and 2020 the number of locates requested in the Company's service territory increased from approximately 109,047 to 124,308, respectively. This increase in requested locates corresponds with the increase in costs for this service. The drivers behind the number of locates may be related to regional economic factors such as the expansion or contraction of the construction industry, for example, thus the Company would expect such costs for one-call charges to increase or decrease accordingly.

Q. How have costs increased in regards to line locations and the One-Call efforts?

A. Subcontractor payments include amounts paid to contractors, sub-contractors, or others typically for services relating to field work. Subcontractor payments have increased from approximately $2.4 million in 2017 to $6.3 million in 2022. The primary driver of this increase relates to costs incurred for contractors to locate underground gas facilities prior to excavation work through the Company's contractual relationships with ELM and Digline of Idaho. As seen in the chart below, updated with 2022 actual financial information, line locate expenses have increased from approximately $606,000 in 2017 to $2.6 million in 2022.

Figure 8: Line Locating Cost per Year



Line locating expenses have grown due to significant growth across the Company's service territory coupled with rising prices.

Q. Does the investment in the Company's Public Awareness and Damage Prevention programs and One-Call and Locating practices save facility damage costs and enhance public safety over time?

A. Yes. The Company believes its investment in public awareness and damage prevention activities in coordination with its one-call and locate contractors has been an important factor in reducing the overall rate of damages per 1,000 incidents in the Company's service territory. For example, in 2018, the rate of damages per 1,000 was 7.64. In 2019 and 2020 that rate declined to 6.17 and 5.92, respectively. This reduction occurred despite the increase in the number of locate requests and the economic and staffing uncertainty brought about by the global COVID-19 pandemic. Additionally, the Company maintains a policy of billing at-fault contractors for damage costs associated with the labor and material costs of repairing the Company's underground facility after a negligent excavation practice occurs.

Q. Does the Company utilize marketing & outreach efforts?

A. Intermountain utilizes a 3rd party, the Public Awareness Pipeline Association ("PAPA"), for stakeholder outreach required per RP1162. This outreach includes specific information and 811 education for Emergency Responders, Public Officials, Excavators, and the General Public. Intermountain supplements the RP1162 requirements and use of PAPA with targeted online banner ads, radio ads, mailer, community events, and training classes. The goal of these additional forms of outreach is to relay the 811 message and encourage all stakeholder groups to utilize the One-Call system. Each form of outreach/marketing is tracked to measure message success, along with the use of pulse surveying to determine the effectiveness of messaging.

In 2022, Intermountain is implementing the Utilisphere software to manage the One-Call ticket data across all districts. In addition to the use of the ticketing software, all locate tickets that are submitted are immediately followed up with an email back to the excavator that includes helpful safety tips and guidelines for digging.

Q. Does this complete your direct testimony?

A. Yes, it does.