Preliminary Project Overview and Customer Impacts Framework

3/27/2025



Administrative Items



Disclaimer: This meeting is being recorded



Put in your name and organization in the chat (especially if you are dialing in)



Participation is encouraged: Raise your hand or use the Chat Function



Meeting materials will be available on the Nicor Gas Website

Our Values

At Southern Company, Our Values establish the foundational behaviors that guide how we work.



Safety First

We actively care about the safety and well-being of our employees, customers and communities. Safely approaching every job, every day, always comes first.



Intentional Inclusion

We are One Team, working to foster a culture of belonging and ensuring our diverse team feels valued. Investing in an equitable culture benefits employees, customers, communities and shareholders.



$\overline{}$ Act with Integrity

We act with honesty, respect and fairness, demonstrating trustworthiness in all we do. We are true to our word and follow through on our commitments.



Superior Performance

We keep customers at the center of everything we do, with a focus on continuous improvement. We provide exceptional service, delivering innovative solutions that benefit our customers, communities, investors and the environment.



Safety: Spring Cleaning Safety Tips

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Safety Checklist

- ✓ Lift properly
- Clear pathways
- Use cleaning products safely
- ✓ Wear protective gear
- Inspect and set up ladders properly
- Practice electrical safety
- ✓ Take breaks!

Agenda

Capital Planning Process Overview

- LTGIP Guiding Principles
- Capital Planning Process Overview
- Key Drivers of the Investments
- Recap of the Nicor Gas System

LTGIP Projects and Investment Categories

- Major Projects and Investment Categories
- Storage, Transmission, Distribution and Regulator Station Projects
- Major Investment Categories
- Infrastructure Spend in the LTGIP

Customer Impact Analysis

- Mapping Local Customer Construction Impact
- Customer Rate Impact Analysis
- Scenario Analysis

Questions, Discussion, and Reminders

LTGIP Guiding Principals



Capital Planning Process Overview



Details on the capital planning process are available from the <u>December 18, 2024</u> <u>Public Meeting Materials</u>

Key Drivers of the Investments

Operational & Strategic Investments, 35%

Regulatory, Customer Demand, & Legal Obligations, 65%

<u>2026-2030</u>

| Distribution Risk Mitigation | 11% |
|--|-------------|
| New Business | 10 % |
| Operations - Services, Bollards, etc | 7% |
| DOT | 6 % |
| Compression Projects | 4% |
| Transmission Integrity Mgmt Pgm | 4% |
| Distribution Regulator Facilities | 3% |
| Periodic Testing (PT) Meter | 3% |
| Storage Ops Projects | 3% |
| Transmission Main | 3% |
| Transmission Regulating Facilities | 3% |
| MAOP Validation | 2% |
| Corrosion Work | 1% |
| Distribution Integrity | 1% |
| Regulator Station | 1% |
| Storage Gas | 1% |
| System Ops (Transmission) - CRT | 1% |
| Well Remedial Projects | 1% |
| Regulatory, Customer Demand, & Legal Obligations | 65 % |
| | |

Recap of the Nicor Gas System



- 34,000 miles of pipe
 - 33,000 miles of distribution pipe
 - 1,156 miles of transmission pipe
- Interconnection with 8 interstate gas pipelines, enabling diversity of supply sources, competitive capacity pricing
- 8 underground gas storage reservoirs
- Over 2,000 regulating facilities

Major Projects and Programs in the LTGIP



Major Projects (>5Million) in the Long-Term Gas Infrastructure Plan (2026-2030) include:

- Storage and Generation Projects Lake Bloomington, Ancona, Lexington, IL
- Transmission Pipeline Projects Dubuque, Rockford, IL
- Distribution Pipeline Projects Ottawa, Rosemont, and Cicero, IL
- Regulator Station Projects Rockford, Pontiac, IL

Major Investment Categories (>5Million): DOT, DIMP projects, regulator stations, etc. (see slide 19 & 20)

These investments align with current system needs, inspection results, known risks, threats, and regulatory requirements. Updates occur biennially as new risks, threats, and regulations emerge

Overview of Storage Facilities



- A gas storage aquifer system stores natural gas in underground rock formations
- Nicor's system has 8 underground storage aquifers in 7 locations in Illinois
- Enables buying and storing gas when prices are low and using it in winter when prices are high
- The interstate pipeline system alone is unable to deliver peak loads
- Malfunctioning and ineffective equipment during winter can cause supply disruption and system outages

Major Storage and Generator Projects in the Plan



Pontiac

 Replace old, obsolete compressors to maintain system reliability

Bloomington

- Replace old, obsolete compressors to maintain system reliability
- Install generators at the storage facility to help ensure consistent supply during electric grid power outages

Lexington

Replace old, obsolete compressors to maintain system reliability

Ancona

- Replace generators at the storage facility that are at the end of their lifespan
- Replace saline pits at the storage facility to the required Illinois Department of Natural Resources (IDNR) standards.
- Replace the header piping at the compressors to help ensure proper hydraulics and maintain system reliability

Overview of Transmission Lines



- Pipelines that transport natural gas from production or storage areas to places it will be used, such as cities, power plants, and factories.
- 1156 miles of transmission pipe at Nicor
- These pipelines enable Nicor Gas to transport large amounts of gas across its service territory to safely and efficiently deliver gas
- Large Transmission line projects include the Dubuque Replacement and MAOP validation projects

Major Transmission Projects in the Plan



Dubuque

- Addresses pipe with known manufacturing defects, anomalies, and integrity issues
- Dubuque Phase 10: Replace 10.1 miles of 22" steel pipe at Pearl Street (in DeKalb County) to IL State Route 23 (in DeKalb County)
- Dubuque Phase 11: Replace 8.1 miles of 22"steel pipe from IL State Route 23 (DeKalb County) to east of Hampshire Forest Preserve (Ketchum Rd in Kane County)

MAOP Validation

- Addresses the requirements outlined in CFR 192.624 and the results of MAOP validation process
- US 20 12" Line 35th St to Cunningham: 5.3-mile pressure test and material verification of 12" steel pipeline
- Mulford Rd 12" Line Linden Rd to Riverside: 5.33-mile pressure test and material verification of 12" steel pipeline in Rockford, IL

Overview of Distribution Lines



A pipeline that carries natural gas from a town border or city gate and moves the gas to the customer

33,000 miles of distribution pipe at Nicor

These pipelines enable Nicor Gas to transport natural gas to our residential, commercial and industrial customers

Three major distribution projects in the plan

Major Distribution Projects in the Plan



Rosemont

- Replace 8", 6" and 2" main to replace existing vintage steel from Bryn Mawr Ave and N River Road to W Higgins Rd and along Higgins to I-290 interchange.
- Addresses the need to replace vintage steel, which poses a risk due to its age and prolonged exposure to various conditions, based on identified risks and threats

Ottawa (Illinois River Crossing)

- Replace smart pipe with 12" MOP Line across the Illinois river in Ottawa, IL
- Addresses operational concerns and issues with the lines being ٠ exposed across the river

Cicero

- Replace 7,700' of 10" main along Cicero Ave from 35th Street to 23rd Street
- Addresses the need to replace bare steel, which poses a risk to the distribution system due to its age and prolonged exposure to various conditions 16

Overview of Pressure Regulation Facilities



A pressure regulating facility contains regulators, valves, and various
 over-pressure protection equipment

These facilities safely reduce pressure from interstate/storage pressures down to distribution system levels

Nicor has three major types of regulating facilities: Transmission Stations - 240 | Vaults - 1,100 | Tin Whistles – 670

Two major regulator station projects

Major Regulator Station Projects in the Plan



Station 79 & 80 Pontiac, IL

Upgrades at Station 79 & 80 in Pontiac include installing launcher/receiver barrels and replacing aging equipment to enhance inspection capabilities and reliability

Station 295 Rockford, IL

Rebuild the station, including the installation of a launcher/receiver to help ensure safe, reliable system operations and enhance inspection capabilities

Major Investment Categories

Programs are generally groupings of projects or multi-year efforts and in many cases may not have a fully developed quantities or scopes at the time of budget creation.

| Category | Description |
|---------------------------|--|
| Compression Projects | These investments are primarily related to necessary replacements of compressors and related facilities at Nicor's large gas storage facilities. The compressors are used to inject gas into these storage facilities during low demand so that the gas is available to meet customer needs during peak demand times. Compressors at some of the current facilities also aide in the retrieval of the gas from storage. |
| Transmission Integrity | Transmission pipeline replacements and remediations identified by Nicor's federally mandated Transmission Integrity Management and Maximum Allowable Operating Pressure Reconfirmation programs. |
| Dubuque | Systematic replacement of a 116 mile, 22" diameter pipeline originally installed in 1959. The replacement of this pipeline was driven by defects and anomalies identified by federally required integrity assessments in 2011 and 2017 and the pipeline consisting of Low Frequency Electric Resistance Welded pipe that has since been identified by PHMSA as high risk for longitudinal seam failure. |
| Distribution Integrity | Includes strategic pipeline and related facility replacements prioritized by the Company's federally mandated Distribution Integrity Management and Corrosion Control programs. This category also includes emergency and unplanned replacements and other required facility remediations as well as Nicor's Emergency Districts program driven from an ICC finding and Company commitment to review and upgrade the Company's ability to isolate its systems during an emergency. |
| DOT | Required relocations of Company facilities located within State, County, and Municipal right-of-ways when the existing gas facilities conflict with proposed road widenings, realignments, or other related projects. |
| Regulator Stations | This includes all levels of pressure regulating facility remediations and replacements from large scale transmission tap stations down to small stations designed to support a neighborhood or other small development. Regulator Stations also includes targeted programs such as electronic pressure recording unit installations and replacements, a Tin Whistle replacement/venting program in compliance with an ICC finding, and a Regulator Station Review Program focused on identifying risks around these critical facilities. |

Major Investment Categories Continued

| Category | Description |
|-----------------------------------|---|
| Storage | This category includes various facility replacements from gas conditioning units to primary pipeline and related facility replacements and remediation as necessary to maintain the operability and safety of these key facilities. |
| Meters | Includes multiple programs related to customer meters from moving meters from inside of customer facilities to the outside to enhance safety and accessibility to replacement of aging large industrial meter sets and the periodic replacement of customer meters across the Nicor system to help ensure metering accuracy. |
| Services, Operations, Removals | Represents multiple smaller programs related to system operations including targeted programs to replace existing copper services and to install bollards for the protection of key facilities. Also includes general service replacements, meter set rebuilds, building large multi-meter headers for commercial and multi-family facilities, Cross-ties related to DOT and Distribution Integrity projects, and removal costs for necessary facility retirements. |
| Operations | Consists of multiple smaller programs integral to maintaining system operations including service replacements, meter set rebuilds, building meter set assemblies for multi-family and commercial applications, deploying new leak detection technologies, and connecting existing services to newly replaced mains. |
| Corrosion | Natural gas pipelines and other metallic structures require cathodic protection to prevent the metal from breaking down due to exposure to the elements (e.g., soil, water). Corrosion can ultimately lead to premature failure, costly repairs, replacements, service interruptions, and leaks. Nicor's corrosion control program is necessary to protect its metallic facilities and to comply with federal code 49 CFR Part 192, Subpart I. |
| New Business | Core New Business includes the necessary construction to add most new customers to Nicor's system. New Business also includes larger diameter main extensions and other strategic projects to provide gas to large commercial customers, developments, or underserved communities. |

Long Term Gas Infrastructure Plan Capital Spend



Customer Impact Analyses

Melissa Bartos, Sr. VP Concentric Energy Advisors



Customer Impacts

Nicor's capital planning goals are to minimize impacts on customers, while ensuring that it delivers safe, affordable and resilient natural gas to meet customer demand. To help ensure this goal is met, Nicor evaluates the impact our 5-year capital plan may have on customers.







Mapping - Local Customer Construction Impact



Customer Gas Rate Impact



* The revenue requirements and rates analyses in the LTGIP will be pro forma and intended to indicate general cost trends. They will not represent actual future revenue requirements or rate impacts. ²⁵

Customer Gas Rate Impact – Baseline Results Preliminary





* The revenue requirements and rates analyses in the LTGIP will be pro forma and intended to indicate general cost trends. They will not represent actual future revenue requirements or rate impacts. 26

Scenario Analysis

Baseline Scenario

• Nicor Gas's 5-year capital infrastructure plan

Non-Pipeline Alternatives (NPA) Scenario

- Nicor Gas plans to explore the impact of potential NPAs as alternatives to certain capital projects
 - e.g., provide incentives for customers to fully electrify homes instead of replacing a segment of pipe

Initial Decarbonization Scenario

- Nicor Gas plans to assess the impact of implementing certain initial decarbonization actions
 - e.g., blend RNG into the gas supply

NPA Scenario

Illustrative/Hypothetical **Example:** Eliminate some distribution integrity capital investment associated with replacing a dead-end main and instead provide incentives for all gas customers attached to that main to fully electrify all gas equipment.

• E.g., Fully electrify all 100 homes that are connected to a dead-end gas main that has been prioritized for replacement.

Theoretical Societal Benefits:

- Reduce gas capital investment
- Eliminate gas bills at 100 homes
- Eliminate gas combustion emissions at 100 homes

Theoretical Societal Costs:

- Cost to purchase and install heat pumps (and other electric equipment) in 100 homes
- Potential increase electric capital spend to accommodate electric heating loads (Generation, Transmission, Distribution)
- Higher electric bills at 100 homes
- Increase emissions from generation of electricity
- Potential decreased reliability of heat due to electric infrastructure is impacted by weather-related outages

Theoretical Barriers: Nicor Gas is obligated to serve all customers, so for an NPA to work in this scenario all 100 customers must convert to/install full electric heat, which may be challenging due to up-front installation costs, higher electric bills, and reduced reliability of heat.

Questions & Discussion



LTGIP Portal

Our Infrastructure | Nicor Gas



Home / Company / Where We Are / Our Service Area

Natural Gas Infrastructure Planning – Vital to Supporting a Clean Energy Future with Reliable and Affordable Energy





| Get Involved | |
|--|--|
| Name" First Name Email* | |
| Company | |
| | |
| Sign up for the distribution list and provide feedback | |



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