ENVIRONMENTAL REVIEW

The Company is committed to compliance with environmental laws and regulations. Some of the regulations with which the Company must comply include the National Environmental Policy Act, the Endangered Species Act, the Clean Air Act, the Clean Water Act, the Toxic Substance Control Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Emergency Planning and Community Right to Know Act, the Oil Pollution Act and the National Historic Preservation Act, as well as similar state and local laws that can be more strict than their federal counterparts.

Agencies issuing permits and enforcing these regulations frequently place restrictions on the Company's activities. Requirements are becoming more stringent over time and are affecting the location and construction of the Company's infrastructure. When projects impact the environment, regulatory agencies require permit applications, agency review and public comment periods prior to permit approval. Permit conditions can be rigorous and costly, requiring compliance activities long after project completion. Monitoring may be required for the life of the installation.

For example, the U.S. Fish and Wildlife Service may designate critical habitat areas to protect certain threatened and endangered species. A critical habitat designation for a protected species, such as the desert tortoise, can result in restrictions to federal and state land use. Such restrictions can delay or prohibit access to or use of subject land. Because the Company infrastructure crosses many miles of federal and state lands that include the critical habitat of protected plant and animal species, there can be a material impact on the location of pipeline facilities and construction schedules.

The Clean Water Act and similar state laws regulate discharges of storm water, hydrostatic test water, wastewater, and other pollutants to surface water bodies such as lakes, rivers, wetlands, and streams. Failure to obtain permits for such discharges or accidental releases could result in civil and criminal penalties, orders to cease such discharges, corrective actions, and other costs and damages.

Pre-existing conditions complicating project construction include situations where the Company's pipelines, both new and existing, cross contaminated sites owned by third parties. In many cases, these sites have not been reported to regulatory agencies by the prior owner, and in some cases the boundaries of the sites are unknown, resulting in unforeseen construction interruptions as the Company consults with the regulators on proper remedial activities. Where they have been reported, the sites, usually regulated by the CERCLA or comparable state regulations, require corrective actions as construction activities proceed.

The Company must determine soil disposition prior to construction (when presence of the contamination is known), properly train employees, equip employees with protective equipment, and invoke proper disposal and decontamination procedures, all of which result in escalated project costs. Accidental spills and releases requiring cleanup may also occur in the ordinary course of business, requiring remediation. The Company may incur substantial costs to take corrective actions in any of these cases. Failure to comply with these laws and regulations can result in fines as well as significant costs for remedial activities or injunctions.

New and revised environmental policy is affecting the industry and the Company specifically, and will result in additional costs to conduct business. For example, federal and state courts and administrative agencies are addressing claims and demands related to climate change under various laws pertaining to the environment, energy use, and development.

In 2010, the EPA adopted Greenhouse Gas (GHG) Reporting Regulations requiring the measurement and reporting of carbon dioxide equivalent (CO_2e) emissions emitted from combustion at large facilities (emitting more than 25,000 metric tons/year of CO_2e). Although the Company does not have any single facilities that exceed that threshold, local distribution companies are required to account for the GHG emissions of their customers (residential, commercial and industrial customers using less than 460 MMcf per year of natural gas) annually.

In 2011, the EPA expanded reporting under this regulation to include measurement and reporting of GHG emissions attributed to fugitive methane emissions, requiring on-going measurement and monitoring of methane emissions at the Company's regulator and gate-stations. In 2017, the Company reported a total of 6.5 million metric tons of CO_2e emissions in Utah and 245 thousand metric tons of CO_2e emissions in Wyoming. The Company also reported approximately 88 thousand metric tons attributed to fugitive methane sources in Utah and zero fugitive methane emissions in Wyoming. Figure 7.1 shows the Company's CO_2 emission rate per million BTU (greenhouse gas intensity) over the last five years.

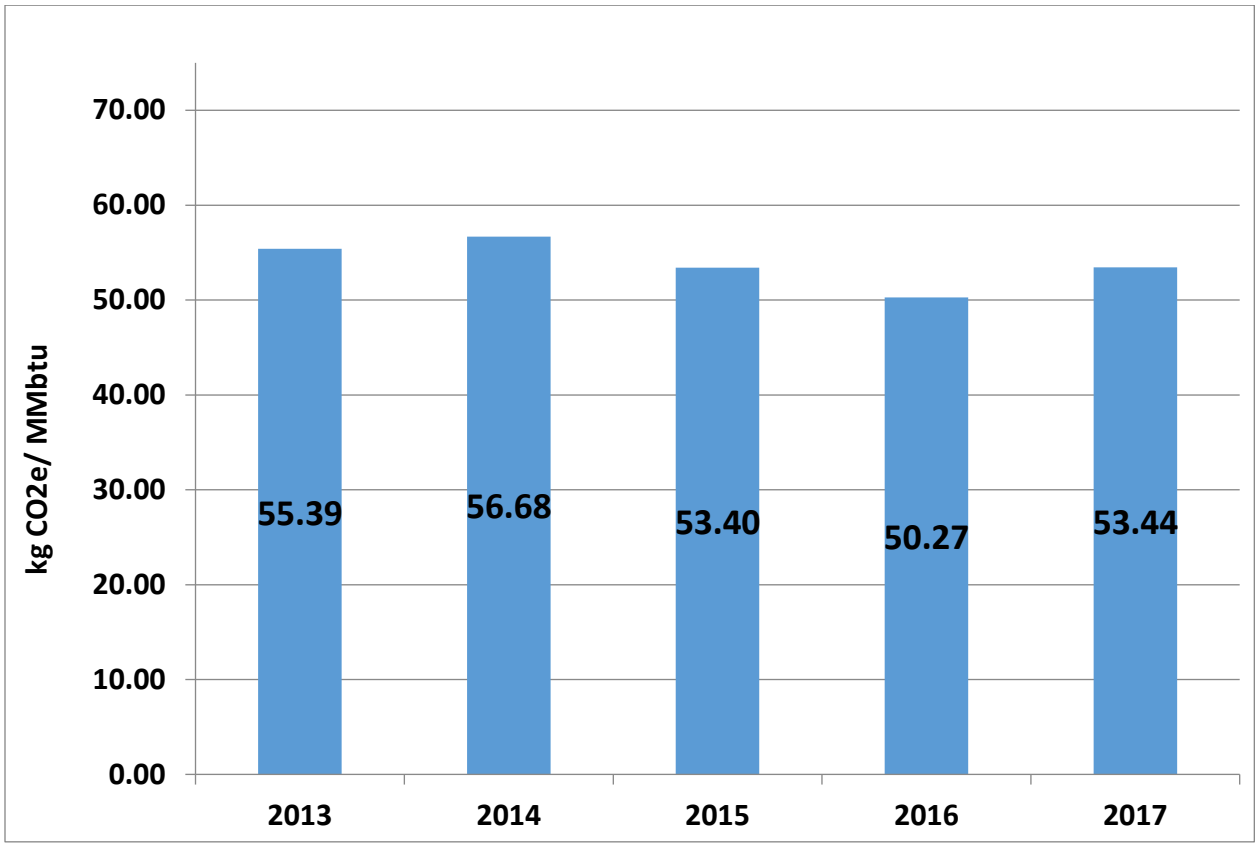

Figure 7.1: Greenhouse Gas Intensity

In March 2016, the Company became a Founding Partner with the EPA in the Natural Gas STAR Methane Challenge Program, committing to voluntary practices that will reduce methane emissions.

The Company expects that greater awareness regarding the benefits of natural gas for high-efficiency residential, commercial, transportation, industrial, and electricity generation purposes will result in the advancement of these applications and increased utilization of natural gas-fueled equipment. Greater utilization of natural gas should result in significantly lower U.S. greenhouse gas emissions in comparison with more carbon intensive fuels. For a more detailed discussion about full fuel-cycle efficiency, refer to the Customer and Gas Demand Forecast section.

Conservation efforts will also continue to have a positive environmental impact. For example, the Company estimates annual savings of more than 5 MMDth of natural gas from 2007 to 2017. The savings represents the equivalent of about 265,100 metric tons of CO_2e or 56,800 passenger vehicle equivalents (calculated using EPA's GHG equivalencies calculator). Lifetime savings attributable to the ThermWise® program totals more than 2.65 million tons of CO_2e or the equivalent of about 568,000 passenger vehicles.