

Third Quarter
Variance Report

December 2016
through

February 2017

Docket No. 16-057-08

Dominion Energy Utah
Third Quarter Variance Report
December 2016 – February 2017

Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Third Quarter Variance Report for the period December 2016 – February 2017. This report identifies the variance between the actual results and the projections set forth in the 2016 Integrated Resource Plan (IRP).

Weather Exhibits 1.1 – 1.3

The weather was colder than 2016 IRP normal temperature estimates used in December and January. February was warmer than the normal temperature estimate used in the 2016 IRP forecast. See Exhibit 1.1.

Gas Storage Exhibits 2.1 – 2.4

Clay Basin had higher inventory levels than the 2016 IRP forecasted for the quarter. As the heating season progressed, sustained withdrawal rates forecasted for Clay Basin were more aggressive than actual operations would allow. As mentioned in the Second Quarter Variance Report, the withdrawal rates in the model have been reduced to better align with operational constraints. See Exhibit 2.1.

Additionally, after the IRP is filed, the Company adjusts withdrawal decisions by regularly updating the model with market price forecasts from PIRA/CERA as well as actual current market prices. During the quarter, these model updates suggested lower withdrawals.

Aquifer inventory closely matched projections for December through February. See Exhibit 2.2

Firm Sales Exhibits 3.1 – 3.4

Heating degree days through the first two months of the quarter were 4% above normal, and consequent sales were 6% above the projected level. The case is reversed in February where heating degree days were 24% below normal, and sales were 10% below the projection. The disparity in February was slightly offset by a higher usage per GS customer which was just under 1 Dth above the projected average on a weather-normalized basis.

Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3

Exhibit 4.1 shows more purchase gas in December and January, while February shows less purchase compared to projections for the quarter.

Additional third party purchases were due to December and January being colder than 2016 IRP estimates. In addition, actual market prices were lower than forecasted in January and February resulting in the updated model favoring additional purchases over Clay Basin withdrawal.

Gas Purchased from Third Parties Cost Variance Exhibits 5.1 – 5.3
 As a result of higher purchased volumes in these first two months, total monthly costs for third party gas were higher in December and January and lower in February. Higher than 2016 IRP estimated unit prices in December and January were also a contributing factor in third party, cost variance

Gas Purchased from Third Parties Unit Cost Variance Exhibits 6.1, 6.2
 Exhibit 6.1 shows that actual unit costs for December and January were higher than the forecast used in the IRP. February unit costs were close to the IRP forecast.

Cost-of-Service Gas Exhibits 7.1 – 7.3
 For December and February, cost-of-service gas volumes were consistent with 2016 IRP estimates. January production was off by 200,000 dekatherms for the following reasons: Tesoro gathering equipment problems affected Church Buttes, Powder Wash and Moxa for four days; Tesoro repairs to water removal equipment stopped production in Leucite Hills for 13 days; problems with a snow cat and subsequent servicing of wells shut-in Dry Piney for 14 days; and Tesoro maintenance stopped the Vermillion Plant for 12 hours on one of the coldest days of the season. See Exhibit 7.1.

Cost-of-Service Gas New Drill Component Exhibits 8.1 – 8.3
 Wexpro new drill for the quarter was significantly below 2016 IRP estimates. A scheduled well in Trail was delayed from the fall until the fourth quarter for economic efficiency reasons. Mesa wells planned for the third quarter were completed early in the second quarter and by the third quarter their volumes were beginning to decline.

Table 1 summarizes estimated average daily shut-in verses actual average daily shut-in during the quarter. There was no shut-in gas during the third 2016 IRP quarter.

TABLE 1

	December	January	February	Total Dth for Quarter
Estimated Shut-in (dth/day)	0	0	0	0
Actual Shut-in (dth/day)	0	0	0	0

Table 2 summarizes purchase and cost-of-service volume variances using 2016 IRP projections and actual results as a percent of total. The Q3 number is a percent of total and not an average.

TABLE 2

		Actual Purchase as Percent of Total	IRP Forecast (Normal) Purchase as Percent of Total	Actual Cost-of- Service Into- Pipe as Percent of Total	IRP Forecast (Normal) Cost-of- Service Into-Pipe as Percent of Total
1	Dec-16	64.99%	57.74%	35.01%	42.26%
2	Jan-17	71.86%	64.71%	28.14%	35.29%
3	Feb-17	59.12%	63.97%	40.88%	36.03%
4	Q3	66.29%	62.30%	33.71%	37.70%

Supplemental Graphs

Exhibits 9.1 – 9.5

Confidential Exhibits 9.1 and 9.2 show the total projection and new drill by nominations group. Confidential Exhibits 9.3 through 9.5 show detailed information related to gas purchases.

Average Market Price and Cost-of-Service Price

Exhibit 10.1, 10.2

Exhibit 10.1 shows the price difference between cost-of-service gas and average market price. Exhibit 10.2 compares the actual market price with the trailing twelve months (TTM) price of cost-of-service gas on an into-pipe basis.

DNG Action Plan

In the previous 2016 IRP variance reports, the Company discussed delays on the NO0001 District Regulator Station in North Ogden. In early 2017, Dominion Energy completed the redesign of this project. The revised project scope is to install approximately 17,000 lf of 8-inch HP main and a new district regulator station. The route selected for this extension starts at the intersection of US-89 and Pleasant view drive (tap location) and then runs southeasterly along Pleasant View drive to Lomond View Drive. The route then heads east along Lomond View Drive to the regulator station site. The project is scheduled to start construction in March 2017 with an anticipated completion date of October 31, 2017.

Heating Degree Day
Graphs

Exhibit 1.1 – 1.3

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Gas Storage Graphs
Exhibits 2.1 – 2.4
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Firm Sales Graphs
Exhibits 3.1 – 3.4
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Gas Purchased
From Third Parties

Volume Variance
Exhibits 4.1 – 4.3
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Gas Purchased
From Third Parties

Cost Variance
Exhibits 5.1 – 5.3
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Gas Purchased
From Third Parties

Unit Cost Variance
Exhibits 6.1 – 6.2
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Cost-of-Service Gas
Exhibits 7.1 – 7.3
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Cost-of-Service Gas
New Drill Component
Exhibits 8.1 – 8.3
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Data
Exhibits 9.1 – 9.5
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Purchase Gas and Cost-of-
Service Gas Price
Comparison
Exhibits 10.1 – 10.2
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