

Second Quarter
Variance Report

September 2018
Through

November 2018

Docket No. 18-057-01

Dominion Energy Utah
Second Quarter Variance Report
September 2018 – November 2018

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Second Quarter Variance Report for the period September 2018 – November 2018. This report identifies the variance between the actual results and the projections set forth in the 2018 Integrated Resource Plan (IRP).

Weather

Exhibits 1.1 – 1.3

During the second quarter, the actual weather was warmer than the 2018 – 2019 IRP normal temperature estimates for September and October, but colder than the 2018 – 2019 IRP normal temperature estimates for November. See Exhibit 1.1.

Gas Storage

Exhibits 2.1 – 2.6

In the second quarter, Clay Basin inventory was lower than the 2018 – 2019 IRP estimates for the quarter. The lower inventory in the quarter was due to lower injection volumes in October and regular withdrawals starting earlier in the heating season than the IRP forecast. This was due to higher than expected gas prices in October and November. See Exhibit 2.1.

Aquifer inventory for the quarter was higher than the 2018 – 2019 IRP Aquifer inventory estimates. Dominion Energy Questar Pipeline successfully lifted a restriction at the Chalk Creek Aquifer which limited injections to not begin until after November 1. This allowed the Company to inject earlier in Chalk Creek than the 2018 – 2019 IRP forecasted. This is beneficial for operational reasons because it allows the facility to be at a higher inventory before the heating season begins. High gas futures prices also prompted filling the Aquifers earlier than forecasted. See Exhibit 2.2.

Actual Spire Storage West inventory was lower than the 2018 – 2019 IRP inventory estimates due to high gas prices. See Exhibit 2.3.

Firm Sales

Exhibits 3.1 – 3.4

Actual usage through the quarter was 2.2% below the projected normal-weather usage. The monthly variation followed variation in heating degree days. September heating degree days total was about 20% of normal, October 3% under normal, and November 3% above normal.

Gas Purchased from Third Parties Volume Variance

Exhibits 4.1 – 4.3.

The volume of purchased gas for the second quarter was lower than the 2018 – 2019 IRP estimates. This was due to warmer weather in September and October and lower purchases to inject into storage. The colder weather in November was offset by increased withdrawal from storage above what had been forecasted. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance

Exhibits 5.1 – 5.3

Purchase Gas Costs followed the trend of Gas Purchased from Third Parties Volume Variance above for September and October. November purchase gas costs were

significantly higher than forecast. Actual November purchase costs were \$26.708 Million. The November IRP estimate for purchase costs was \$14.022 Million. This was due to higher gas prices than forecast. A pipeline explosion in Canada caused an increase in Rockies region gas delivered to the Northwest US. This increased demand drove regional prices significantly higher in November. See Exhibit 5.1.

Gas Purchased from Third Parties Unit Cost Variance Exhibits 6.1, 6.2

Purchased gas unit costs for the second quarter were higher than the 2018 - 2019 IRP estimates for the quarter. The November unit cost was \$4.51 compared to the IRP estimate of \$2.27 for the month. See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

For September, the cost-of-service gas volume was less than the 2018 – 2019 IRP estimate. At the request of Dominion Energy Utah, Wexpro shut-in approximately 15,000 Dth/day of natural gas for all of September. These shut-ins were necessary due to injection constraints at Clay Basin.

October and November cost-of-service gas volumes were greater than IRP estimates. Trail, Powder Wash, Church Buttes, and Whiskey Canyon all overproduced during October and November. The overproduction was due to uplift from ending shut-in, new drills coming online, work-overs and well optimization particularly in Church Buttes, and plunger lift deployment in Powder Wash.

At the request of Dominion Energy Utah, all shut-in gas came back online the second week of October. See Exhibit 7.1.

Cost-of-Service Gas New Drill Component Exhibits 8.1 – 8.3

Wexpro new drill volumes for the first IRP quarter were higher than IRP estimates for 2018 – 2019 IRP model.

In October, new wells came on in Canyon Creek. In November, New Wells came on in Canyon Creek, Trail, and Pinedale.

Table 1 summarizes purchase and cost-of-service volume variances using 2018 – 2019 IRP projections and actual results as a percent of total. The Q2 number is a percent of total and not an average.

TABLE 1

		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	Sep-18	0.00%	4.00%	100.00%	96.00%
2	Oct-18	17.89%	38.47%	82.11%	61.53%
3	Nov-18	49.26%	52.76%	50.74%	47.24%
4	Q2	28.99%	37.36%	71.01%	62.64%

Table 2 summarizes estimated average daily shut-in verses actual average daily shut-in during the Second quarter.

TABLE 2

	September	October	November	Total Dth for Quarter
Estimated Shut-in (dth/day)	0	0	0	0
Actual Shut-in (dth/day)	15,300	2,565	0	538,500

Supplemental Graphs

Confidential Exhibits 9.1 – 9.3

These Confidential Exhibits reflect source data for Cost-of-service, New Drill and Purchase Gas exhibits.

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

The 1st Quarter Variance Report outlined two possible scenarios for the design of the TG0007 Regulator Station in Saratoga Springs. This project has been postponed until 2020. Slower than anticipated growth in Saratoga Springs has allowed the project to be delayed one year.

Heating Degree Day Graphs

Exhibit 1.1 – 1.3

Docket No. 18-057-01

Gas Storage Graphs
Exhibits 2.1 – 2.6
Docket No. 18-057-01

Firm Sales Graphs
Exhibits 3.1 – 3.4
Docket No. 18-057-01

Gas Purchased
From Third Parties

Volume Variance
Exhibits 4.1 – 4.3
Docket No. 18-057-01

Gas Purchased
From Third Parties

Cost Variance
Exhibits 5.1 – 5.3
Docket No. 18-057-01

Gas Purchased
From Third Parties

Unit Cost Variance
Exhibits 6.1 – 6.2
Docket No. 18-057-01

Cost-of-Service Gas
Exhibits 7.1 – 7.3
Docket No. 18-057-01

Cost-of-Service Gas
New Drill Component
Exhibits 8.1 – 8.3
Docket No. 18-057-01

Supplemental Data
CONFIDENTIAL
Exhibits 9.1 – 9.3
Docket No. 18-057-01

Average Market Price and
Cost-of-Service Price
Exhibits 10.1 – 10.2
Docket No. 18-057-01