

Third Quarter
Variance Report

December 2018
Through

February 2019

Docket No. 18-057-01

Dominion Energy Utah
Third Quarter Variance Report
December 2018 – February 2019

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Third Quarter Variance Report for the period December 2018 – February 2019. 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 third quarter, the actual weather was warmer than the 2018 – 2019 IRP normal temperature estimates for all December, January, and February. See Exhibit 1.1.

Gas Storage Exhibits 2.1 – 2.6

In the third quarter, Clay Basin inventory was lower than the 2018 – 2019 IRP estimates for December, but higher than January and February. The lower inventory in December 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. Higher inventory in January and February was due to lower withdrawals during these months resulting from daily temperature swings, particularly on long weekends, and a need to maintain inventory for operational reasons during the latter part of the heating season. With inventory at a lower level than the forecast at the beginning of January, high withdrawals in January and February would have depleted inventory too quickly. See Exhibit 2.1.

Aquifer inventory for the quarter was lower than the 2018 – 2019 IRP Aquifer inventory estimates. December and January inventory levels were slightly lower due to usage during these months. High gas prices in February prompted withdrawing from the Aquifers earlier than forecasted. See Exhibit 2.2.

Actual Spire Storage West inventory was lower than the 2018 – 2019 IRP inventory estimates due low starting inventory for the quarter. See Exhibit 2.3.

Firm Sales Exhibits 3.1 – 3.4

Heating degree days for the quarter were 4% below normal. Actual usage was in line with the projected normal-weather usage for the quarter.

Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3

The volume of purchased gas for the third quarter was higher than the 2018 – 2019 IRP estimates. This was due to lower storage withdrawals than forecast in the 2018 – 2019 IRP estimates. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance Exhibits 5.1 – 5.3

Purchase Gas Costs were significantly higher than the 2018 – 2019 IRP estimates. Actual third quarter purchase costs were \$151.354 Million. The third quarter IRP

estimate for purchase costs was \$70.260 Million. These high costs were due to the combination of higher volumes of purchased gas (See Exhibits 4.1-4.3 above) and high gas prices (see Exhibits 6.1 and 6.2). See Exhibit 5.1.

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

Purchased gas unit costs for the third quarter were higher than the 2018 - 2019 IRP estimates for the quarter. 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 the quarter. February purchased gas unit costs in particular were much higher than forecast. The February unit cost was \$6.43 compared to the IRP estimate of \$2.42 for the month. See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

The cost-of-service gas volume for December, January, and February was more than the 2018 – 2019 IRP estimate. Canyon Creek and Trail were overproduced during the quarter. The overproduction was due to new drill production exceeding expectations and continued results from the Trail compression project. These results were partially offset by difficult winter operations reducing production in Powder Wash, Church Buttes, and Bruff. See Exhibit 7.1.

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

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

In December, new wells came on in Trail, Canyon Creek, and Pinedale. November and December each had new wells in 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 Q3 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	Dec-18	62.76%	60.81%	37.24%	39.19%
2	Jan-19	64.49%	65.03%	35.51%	34.97%
3	Feb-19	62.26%	60.81%	37.74%	39.19%
4	Q3	63.23%	62.36%	36.77%	37.64%

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

TABLE 2

	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

Supplemental Graphs

Confidential Exhibits 9.1 – 9.3

These 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 following projects have been updated during the third quarter.

Jamestown Regulator Station, Jamestown, Wyoming

Dominion Energy Questar Pipeline (DEQP) has experienced difficulties in designing a new gate station at its ML133 or ML116 pipelines. As a result, this project has been delayed two to three years. The Company is considering an alternative solution that would include installation of 15,000 feet of IHP main. This solution could be a less costly option of providing two-way feed for James Town. This option would require more construction work for the Company, but the project would be simpler from a planning and design perspective, and would have fewer facilities to maintain in the future.

White Dome Regulator Station, St George, Utah

The Company previously indicated that it was planning to construct this regulator station in 2021. However, because the Company installed additional IHP main to support the growth in this area, it is able to delay the construction of the regulator station until 2022.

South Bluffdale Regulator station, Bluffdale, Utah

The Company previously indicated that it was planning to construct this regulator station in 2022. Because the development and growth in the area has been slower than anticipated, the Company is able to delay station construction until 2023.

Heating Degree Day Graphs

Exhibit 1.1 – 1.3

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Gas Storage Graphs
Exhibits 2.1 – 2.6
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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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Supplemental Data
CONFIDENTIAL
Exhibits 9.1 – 9.3
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Average Market Price and
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