

First Quarter
Variance Report

June 2020
Through
August 2020
Docket No. 20-057-02

Dominion Energy Utah
First Quarter Variance Report
June 2020 – August 2020

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this First Quarter Variance Report for the period June 2020 – August 2020. This report identifies the variance between the actual results and the projections set forth in the 2020 - 2021 Integrated Resource Plan (IRP).

Weather

Exhibits 1.1 – 1.3

During the first quarter, the actual weather was cooler than the 2020 – 2021 IRP normal temperature estimates for June, and about equal to the 2020 – 2021 IRP normal temperature estimates for July and August.

Gas Storage

Exhibits 2.1 – 2.6

In the first quarter, Clay Basin inventory was slightly lower than the 2020 – 2021 IRP estimates for the entire quarter. The Company’s modeling recommended against purchasing gas in June and July for injection because the forward curve showed even lower gas cost in the fall. See Exhibit 2.1.

Aquifer inventory for the quarter was slightly low throughout the period, because inventory was lower at the end of the heating season. Injection levels remained stationary (as predicted) but they were added to a lower end-of-season level. See Exhibit 2.2

Actual Spire Storage West inventory was slightly lower than the 2020 – 2021 IRP inventory estimate mainly due to carryover from the previous quarter where injections began later than anticipated. Injections during the first quarter occurred at the level expected, but because the levels at the beginning of the quarter were lower, inventory remained lower during the quarter. Exhibit 2.3.

Firm Sales

Exhibits 3.1 – 3.4

Sales for the quarter varied -1% below the forecast. Usage was primarily baseload with some space heating occurring in June. Heating degree days were slightly above normal in June, and usage was just above the forecasted level. Usage in the remaining months fell below the projected level. July saw the largest variance of -4%, the decline may partially be the result of lower commercial usage caused by the COVID-19 pandemic. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance

Exhibits 4.1 – 4.3

Gas purchases thorough the quarter were slightly higher due to a few colder days in June, and some purchases for injection in July due to low prices. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance

Exhibits 5.1 – 5.3

Purchase gas costs were higher than the 2020 – 2021 IRP estimates due to the purchase of gas in these months as explained above. See Exhibit 5.1.

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

Purchased Gas unit costs were higher than the IRP forecast because the forecast didn't anticipate any purchases of gas during these months. Although no purchases were anticipated, these small purchases were slightly lower than the forward curves at the time (\$1.57 in June, \$1.54 in July). See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

The cost-of-service gas volume for June was slightly higher than anticipated. July and August were slightly lower than anticipated due to maintenance shut ins in the Trail field combined with scheduled shut ins. See Exhibit 7.1.

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

Wexpro New Drill Volumes and Legacy volumes were in line with the 2020 – 2021 IRP Estimate. Note that some of the Pinedale wells scheduled for completion in 2019 were not complete until Jan 2020. These wells were not included as new drill for purposes of the IRP. See Exhibit 8.1.

Table 1 below summarizes purchase and cost-of-service volume variances using 2020 – 2021 IRP projections and actual results as a percent of total. The 2020 – 2021 IRP projected purchase gas to be 0% for the quarter. Due to a few cold days actual purchase gas represented 2.80% of total gas for the quarter. The Q1 number is a percent of total and not an average.

TABLE 1

	Actual Purchase as Percent of Total	Normal Purchase as Percent of Total	Actual Cost-of- Service as Percent of Total	Normal Cost-of- Service as Percent of Total
Jun-20	6.81%	0.00%	93.19%	100.00%
Jul-20	1.06%	0.00%	98.94%	100.00%
Aug-20	0.00%	0.00%	100.00%	100.00%
Q1	2.80%	0.00%	97.20%	100.00%

Table 2 below summarizes estimated average daily shut-in verses actual average daily shut-in during the fourth quarter. Due to volatile pricing shut in was less than predicted.

TABLE 2

	June	July	August	Total Dth for Quarter
Estimated Shut-in (dth/day)	6,154	6,109	6,064	18,327
Actual Shut-in (dth/day)	0	2,323	5,437	7,760

Supplemental Graphs Confidential Exhibits 9.1 – 9.3

These exhibits reflect source data for Cost-of-Service, New Drill and Purchase Gas exhibits. It was discovered during this variance report that two groups were incorrectly placed in Wexpro I instead of Wexpro II YCCRUNIT MT and YCCRUNIT D8 and have

been moved going forward. This has no impact on the reported prices for Wexpro I and Wexpro II properties.

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 first quarter.

TG0007 Regulator Station, Saratoga Springs, Utah:

The extension of FL112 to the TG0007 regulator station is tested and complete. The TG0007 station is underway. The project was slightly delayed due to permitting challenges in Saratoga Springs. This station should be commissioned in the first quarter of 2021.

TG0005, Saratoga KRGT Gate Station, Saratoga Springs, Utah:

The Company is further investigating alternatives to interconnecting with Kern River Gas Transmission Company because the Kern River costs were substantially higher than anticipated. As a result, the construction of TG0005 is delayed until the Company weighs other alternatives to address the growth in this area. The Company will offer further updates on this project in future Variance Reports.

RE0027 FL26 HP Regulator Station, Lindon Utah:

The Company had hoped to site the facilities on property currently owned by the Company. However, that property is too small to accommodate the required facilities. The Company is evaluating alternative designs and assessing future growth to determine whether additional property and/or design revisions are required. The Company now anticipates that construction will commence in 2022.

FL55 extension, Salt Lake City, UT:

The Company began construction on FL55 at the end of summer. Construction is anticipated to be completed before the end of 2020, ahead of schedule.

New Utah State Prison Site, Salt Lake City, Utah:

FL131 to the new Utah State Prison is complete and awaits the commissioning of the State Prison to start service.

Flyer Way HP Regulator Station, Salt Lake City, Utah:

The facility is mechanically complete and awaits some small site details to be complete before full commissioning. It will be ready for use during the heating season of 2020-2021.

In its reply comments, in Docket No. 20-057-02, the Company agreed to provide updates related to impacts of the pandemic and other operational changes in its Variance Reports. Those topics are discussed below.

Pandemic-Related Update

The Company has been tracking usage by customer class throughout the year and comparing year-over-year results. Usage among the smaller commercial customers (GS class) declined steadily through the quarter. Average usage was nearly 5 Dth lower than during the same period last year. Commercial and industrial transportation users remained stable, even increasing slightly, through June and July. But usage in those sectors began declining toward the end of August. Though some year-over-year changes can be attributed to customers shifting from sales to transportation service in July of 2019, the GS class grew by over 800 customers in the 12 months ending in August. So, the declines are most likely caused by negative business conditions related to COVID-19.

Residential usage remained stable through the quarter with little variance in average usage over last year. This is not surprising; the Company did not expect any decline in residential usage. In fact, usage through the Spring months was moderately higher compared to last year, likely the result of more people staying home during the day with some space heating demand still occurring in the Spring.

Electric generation was considerably higher with an increase of nearly 700,000 Dth over last year's first IRP quarter. This too may be a result of COVID-19 as more people remained at home running the air conditioner and other appliances at times when they normally would have been at the workplace.

When the IRP forecast was completed in March, it was assumed that customer growth would slow as a result of the pandemic's effect on construction and the overall economy. But the slowdown in growth never materialized. Construction was able to continue through the Spring and Summer months with no evidence of a dampening in demand. An additional 7,300 customers were added during the quarter, about 3,500 more than were added through the same quarter in 2019.

Other Operational Variance Update

Other than the variances described above there are no other variances to report.

Heating Degree Day
Graphs
Exhibit 1.1 – 1.3
Docket No. 20-057-02

Gas Storage Graphs
Exhibits 2.1 – 2.6
Docket No. 20-057-02

Firm Sales Graphs
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Gas Purchased
From Third Parties

Volume Variance
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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
Docket No. 20-057-02

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
Confidential
Exhibits 9.1 – 9.3
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Average Market Price and
Cost-of-Service Price
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