

Second Quarter
Variance Report

September 2020
Through

November 2020

Docket No. 20-057-02

Dominion Energy Utah
Second Quarter Variance Report
September 2020 – November 2020

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Second Quarter Variance Report for the period September 2020 – November 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 second quarter, the actual weather was slightly warmer than the 2020 – 2021 IRP normal temperature estimates for the entirety of the quarter in terms of HDD. However, there were significant cold periods in each of the months that were much colder than normal. For example, the end of October (22nd -30th), the middle of November (11th -16th), and the beginning of December (2nd – 16th) were all much colder than normal. While there were fewer heating degree days than expected, this quarter had dramatic temperature swings in both directions with longer cold spikes than warm spikes.

Gas Storage

Exhibits 2.1 – 2.6

In the second quarter, Clay Basin inventory was lower than the 2020 – 2021 IRP estimates for the entire quarter. The lower inventory was caused by a lower starting inventory level carryover from Q1 as well as some mechanical issues that limited Clay Basin Injection in Q2. Throughout the summer the model limited injections and projected large injections into storage during the first part of the fall. Unfortunately, mechanical issues at Clay Basin limited injection capacity through most of October. The combination of these operational limitations and the cold spikes described above, caused actual injection to be much lower than predicted during this time.

Aquifer inventory for the quarter remained slightly lower than forecast throughout the period, due to the lower inventory at the end of the first quarter. During the second quarter injections increased, putting inventory much closer to normal at the end of quarter than the beginning. There were also some mechanical issues at Leroy during this quarter that limited injections at that facility. See Exhibit 2.2

Actual Spire Storage West inventory was lower than the 2020 – 2021 IRP inventory estimate mainly due to lower inventory levels from the previous quarter. Strict withdrawals also started sooner than initially expected in order to withdraw volumes before the storage contract expires. The Company is not renewing the storage contract, and as a result inventory must be depleted by the end of March 2021. Exhibit 2.3.

Firm Sales

Exhibits 3.1 – 3.4

Although temperatures were generally warmer than normal, the ongoing pandemic has caused many people to work from home and, as the temperatures dropped, these home-based workers were running the furnace more throughout the day than would have been the case had they been working away from home. Also, most businesses were open again and many had increased space heat consumption during some cold spikes toward

the end of the quarter. The net effect was higher overall usage in October compared to normal. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3

Gas purchases through the quarter were slightly higher due to increased usage and the colder periods during each month. 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 because the Company purchased more gas as described above as well as actual gas prices being higher than the low forward prices used as estimates in the IRP. See Exhibit 5.1.

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

Purchased Gas unit costs were higher throughout the quarter. In October and November, gas prices were significantly higher than the IRP forecast, however, not out of the range of normal fall gas prices. (IRP price forwards were very low for this period.) See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

The cost-of-service gas for the entire quarter was lower than expected. This is due to underproduction in all but the Church Buttes, Bruff and Hiawatha fields. Most of the fields that underproduced did so due to maintenance lasting longer than expected this fall. See Exhibit 7.1.

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

Wexpro New Drill Volumes were lower than expected due to wells not coming on during this quarter as expected. Legacy volumes were in line with the 2020 – 2021 IRP Estimate. Some of the Pinedale wells scheduled for completion in 2019 did not finish until Jan 2020. These wells were not included as new drill for 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 41.8% for the quarter. Due to a few cold days and storage breakdowns, actual purchase gas represented 47.7% of total gas for the quarter. The Q2 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
Sep-20	19.33%	27.79%	80.67%	72.21%
Oct-20	40.84%	30.15%	59.16%	69.85%
Nov-20	63.40%	57.05%	36.60%	42.95%
Q2	47.70%	41.76%	52.30%	58.24%

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

	September	October	November	Total Dth for Quarter
Estimated Shut-in (dth/day)	6,020	5,976	5,510	531,171
Actual Shut-in (dth/day)	4,894	3,732	0	262,512

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.

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 project was updated during the second quarter.

FL55 extension, Salt Lake City, Utah

Construction began in August 2020 and was completed in December 2020. The timeline for FL55 was accelerated due to impacts on other projects from COVID-19. Originally the project was anticipated to be constructed in 2021.

Pandemic-Related Update

Sales demand during the second IRP quarter increased by 3% over the prior year. Weather-normalized residential usage per customer was fairly flat year-over-year, while average commercial usage – also weather-normalized – increased by 2 Dth. October's usage was considerably higher during the September / October billing cycle, declined during the following month's cycle, but finished the quarter in positive territory. While it's too soon to know if the downward trend in commercial usage observed since March may be slowing or fading out, the fact that commercial sales showed positive gains in two of the three months is encouraging.

The sustained decline in commercial transportation usage slowed, and the quarter ended with a year-over-year increase. Industrial transportation usage remains lower than the prior year, but the disparity has been steadily shrinking through the quarter.

Customer growth continued uninhibited through the quarter with year-over-year net additions of 26,500 service agreements. The pandemic has not restricted the pace of construction, nor has it tempered demand. Ironically, it may be accelerating demand in the short-run. The lowered interest rates coupled with a low inventory of existing homes for sale are driving the demand for new construction of single-dwelling and condo /

townhome dwellings. And lower capital costs and lower vacancy rates continue to drive apartment construction.

Other Operational Variance Update

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

Rural Expansion Update

As indicated in the Company's 2020-2021 IRP, Dominion Energy has been considering other candidate communities for possible expansion. The Company has identified two communities, Goshen, and Elberta as promising candidates for rural expansion. Both have expressed an interest in receiving natural gas and the Company believes that expansion to these two communities is consistent with applicable statutes and regulations. The Company is currently preparing an application to seek Utah Public Service Commission (Commission) approval to expand to these two communities, and expects to file the application in March of 2021.

Additionally, the Company is evaluating the possibility of expanding to the city of Green River, Utah. The Company is currently exploring the options available to serve Green River and if the Company determines there is a viable option a rural expansion filing could be made with the Commission as early as the 2nd quarter of 2021. The Company's estimates of construction costs would allow both of these projects to be completed under the 2% and 5% spending caps that are currently in place.

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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Data
Confidential
Exhibits 9.1 – 9.3
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Average Market Price and
Cost-of-Service Price
Exhibits 10.1 – 10.2
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