

First Quarter
Variance Report

June 2021
Through
August 2021
Docket No. 21-057-01

Dominion Energy Utah
First Quarter Variance Report
June 2021 –August 2021

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this First Quarter Variance Report for the period June 2021 – August 2021. This report identifies the variance between the actual results and the projections set forth in the 2021 - 2022 Integrated Resource Plan (IRP).

Weather

Exhibits 1.1 – 1.3

During the first quarter, June temperatures were warmer than normal, July temperatures were normal, and August had a few more heating degree days than expected.

Gas Storage

Exhibits 2.1 – 2.4

In the first quarter, Clay Basin inventory was close to 2021-2022 IRP estimates throughout the quarter. The most significant variance occurred in August and was the result of decreased injections due to high prices. The section below on “Gas Purchased from third Parties Unit Cost Variance” describes why prices were higher during this period. See Exhibit 2.1.

Aquifer inventory started the quarter with a deficit to the levels forecasted in the 2021-2022 IRP. This deficit remained mostly unchanged through the quarter as there was no activity in the Aquifers during this time. See Exhibit 2.2.

Firm Sales

Exhibits 3.1 – 3.4

Actual sales through the first quarter of the 2021 – 2022 IRP year were 7% lower than projected normal-weather usage. The forecast error was minimal, accounting for less than 1% of the variance. Most of the variance arose in June because heating degree days were below the forecasted baseline. The Salt Lake region saw only 2 heating degree days where the 20-year normal level is 38. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance

Exhibits 4.1 – 4.3

Gas purchases through the quarter were slightly lower than the forecast. The June variance was mostly due to a warmer than expected month. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance

Exhibits 5.1 – 5.3

Purchase gas costs were lower than the 2021 – 2022 IRP because less gas was purchased than projected.

Gas Purchased from Third Parties Unit Cost Variance

Exhibits 6.1, 6.2

Purchase gas unit costs for August (the only month of the quarter with gas purchases) were significantly higher than the IRP projections. Price dynamics across the country changed toward the end of the summer for a variety of reasons. Primarily, global demand for LNG rose due to high pricing in Europe. Also, high pricing in offsetting fuels, such as

coal, prevented gas-to-coal switching in the power generating sector. Through the quarter a national storage deficit was created by these dynamics. This deficit is likely to have an impact on pricing in future quarters. See Exhibit 6.1.

Cost-of-Service Gas

Exhibits 7.1 – 7.3

The cost-of-service gas production was slightly lower than forecasts for the quarter as a result of compressor downtime and testing that occurred during the quarter. All groups produced below expectation except Trail and Church Buttes. See Exhibit 7.1.

Cost-of-Service Gas New Drill Component

Exhibits 8.1 – 8.3

There was no expected new drill volume and no actual new drill volume during the quarter. See Exhibit 8.1.

Table 1 below summarizes purchase and cost-of-service volume variances using 2021 – 2022 IRP projections and actual results as a percent of total. The 2021 – 2022 IRP projected purchase gas to be 4.58% for the quarter. Due to low purchases actual purchase gas represented 0.50%. 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-21	0.00%	10.07%	100.00%	89.93%
Jul-21	0.00%	1.20%	100.00%	98.80%
Aug-21	1.49%	1.94%	98.51%	98.06%
Q1	0.50%	4.58%	99.50%	95.42%

Table 2 below summarizes estimated average daily shut-in verses actual average daily shut-in during the first quarter. Overall shut during the quarter in was close to projections but varied slightly month to month due to the large shifts seen in daily pricing and futures pricing.

TABLE 2

	June	July	August	Total Dth for Quarter
Estimated Shut-in (dth/day)	7,158	7,118	1,878	493,623
Actual Shut-in (dth/day)	5,813	6,294	3,182	468,146

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.

The Company did not override or fundamentally modify the model in the first quarter. The Company only updated storage volumes and price forecasts to reflect up to date actuals.

DNG Action Plan

The following projects were updated during the first quarter.

LE0021, District Regulator Station for American Fork and Lehi

The construction has been delayed due to difficulty in securing the required property. The project is now expected to commence in the third quarter 2022 at the earliest, but possibly in 2023.

On-System LNG Facility, Salt Lake City, Utah

Construction of the Magna LNG facility remains on-schedule with completion expected in the 4th quarter of 2022. The COVID-19 pandemic has negatively impacted supply chain and construction costs across the country including in Utah. The construction management team continues to work to minimize these modest cost pressures and to assess the net impact to the project. The Company will update regulators as the net impact to the project becomes more certain.

Rural Expansion Update

Construction of the Eureka system was completed in mid-November. The first customers have started receiving natural gas and more customers are in the process of converting their equipment to safely burn natural gas. The Company remains in contact with Eureka city officials and customers to ensure that homes are properly and safely converted.

The Company continues to make progress toward providing service to the communities of Goshen and Elberta. Engineering, design and permit acquisition are all under way. The Company plans to begin construction of the project in early 2022.

The Company's proposal to bring natural gas to Green River is currently under consideration by the Public Service Commission.

Heating Degree Day
Graphs
Exhibit 1.1 – 1.3
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Gas Storage Graphs
Exhibits 2.1 – 2.4
Docket No. 21-057-01

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
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Cost-of-Service Gas
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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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