

Second Quarter
Variance Report

September 2021
Through

November 2021

Docket No. 21-057-01

Dominion Energy Utah
Second Quarter Variance Report
September 2021 –November 2021

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Second Quarter Variance Report for the period September 2021 – November 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 second quarter, September and November temperatures were slightly warmer than normal, and October temperatures were slightly colder than normal.

Gas Storage Exhibits 2.1 – 2.4

In the second quarter, Clay Basin inventory was overall lower than 2021-2022 IRP estimates throughout the quarter. The most significant variance came in October, where the Company made withdrawals earlier than expected due to colder-than-anticipated weather. Some injections were also shifted to the aquifers for the expansion tests (explained below). That variance carried throughout the quarter. See Exhibit 2.1

Aquifer inventory varied from the forecasted 2021-2022 IRP levels. Much of this variance was due to an earlier injection schedule to prepare for withdrawal expansion tests run on the Aquifers in November and December. These withdrawal expansion tests were planned with Dominion Energy Questar Pipeline in order to determine the possibility of allowing for additional withdrawal capacity going forward. See Exhibit 2.2

Firm Sales Exhibits 3.1 – 3.4

In October, usage exceeded the forecast by 9% because of heating degree days that surpassed the normal level in October by 7%. In November, heating degree days fell below the normal level by 16%, and the resulting demand was 14% below the forecast. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3

Gas purchases throughout the quarter closely matched the weather patterns. September had lower purchases than expected because the weather was warmer than normal. October had more purchases than expected because the weather was colder than normal. November was in line with forecast even with slightly warmer weather overall because there were some significantly colder days right around the Thanksgiving holiday. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance Exhibits 5.1 – 5.3

Purchase gas costs were close to the forecast for September. Purchase gas costs for October and November were higher than expected. Though there was a small increase in purchases in October, most of the cost variance occurred as a result of prices being higher than forecasted in the 2021-2022 IRP.

Gas Purchased from Third Parties Unit Cost Variance

Exhibits 6.1, 6.2

Purchase gas unit cost was almost double the forecast in the 2021-2022 IRP, as discussed in the first quarter variance report. Price dynamics changed across the country quite significantly toward the end of the summer. Global demand for LNG due to high pricing in Europe and Asia pushed prices upward. High pricing in offsetting fuels, such as coal, prevented gas-to-coal switching in the power generating sector, which also impacted pricing. The market is still experiencing fear related to the events of February 2021, contributing to the overall price increase. See Exhibit 6.1.

Cost-of-Service Gas

Exhibits 7.1 – 7.3

The cost-of-service gas production was very close to forecast for September and October. In November cost-of-service production was lower than expected. This variance was caused by compressor downtimes in most fields along with delays in new drill in Canyon Creek, Trail and Whiskey Canyon caused by supply chain problems. Exhibit 7.1.

Cost-of-Service Gas New Drill Component

Exhibits 8.1 – 8.3

Expected new drill in November was delayed due to supply chain issues. 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 46.28% for the quarter. The actual purchase gas percentage came in at 47.87% only slightly higher than forecast.

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-21	11.11%	20.84%	88.89%	79.16%
Oct-21	53.68%	49.40%	46.32%	50.60%
Nov-21	59.27%	55.71%	40.73%	44.29%
Q2	47.87%	46.28%	52.13%	53.72%

Table 2 below summarizes estimated average daily shut-in verses actual average daily shut-in during the second quarter. Overall shut in was much lower than expected due to the significant increase in pricing.

TABLE 2

	September	October	November	Total Dth for Quarter
Estimated Shut-in (dth/day)	4,620	2,410	140	217,513
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.

Modeling Adjustments

The Company did not override or fundamentally modify the model in Q2. Only normal updates to storage volumes and price forecasts were made. The only adjustments made to operations that differed from the model guidance was to increase injections into the Aquifers to allow for withdrawal testing to occur, as described above.

DNG Action Plan

The following projects were updated during the second quarter.

WA1600, District Regulator Station to Replace North Temple Capacity for Belt Line

The acquisition of the property took longer than expected. There was also a delay in the design due to the coordination with the developer accommodating the station construction and the businesses in their parking lot near the site. Construction started November 2021 and is expected to be in-service by mid-March 2022.

On-System LNG Facility, Magna, Utah

The liquified natural gas facility in Magna, Utah is on schedule to be in service in the 4th quarter of 2022 and will provide additional gas supply reliability in the 2022-2023 winter heating season. The COVID pandemic has caused higher-than-expected construction material costs and supply chain disruptions resulting in an overall project cost that is expected to be 3.5% (\$7.2 million) higher than the amount originally approved by the Utah Public Service Commission in 2019. Additionally, to comply with PHMSA requirements, the Company has also secured restrictive covenants on adjacent properties to cover the thermal radiation exclusion zones extending beyond the Dominion Energy property line, at a cost of \$4.7 million. The implied revenue requirement of this project inclusive of these changes is still lower than the other alternatives considered in Docket 19-057-13 (even before updating these alternatives for potential COVID impacts) and qualitatively this LNG project continues to be positively differentiated from the alternatives. The Company plans to address the cost recovery of these items in its upcoming 2022 general rate case.

Rural Expansion Update

The Company completed construction on the majority of the Eureka system in mid-November. It has commenced natural gas service to the first customers 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, Elberta, and Green River. Engineering, design, and permit acquisition are all under way. The Company plans to begin construction of the Goshen/Elberta project in early 2022. Construction of the Green River project will begin in early 2023.

Heating Degree Day Graphs

Exhibit 1.1 – 1.3

Docket No. 21-057-01

Gas Storage Graphs
Exhibits 2.1 – 2.4
Docket No. 21-057-01

Firm Sales Graphs
Exhibits 3.1 – 3.4
Docket No. 21-057-01

Gas Purchased
From Third Parties

Volume Variance
Exhibits 4.1 – 4.3
Docket No. 21-057-01

Gas Purchased
From Third Parties

Cost Variance
Exhibits 5.1 – 5.3
Docket No. 21-057-01

Gas Purchased
From Third Parties

Unit Cost Variance
Exhibits 6.1 – 6.2
Docket No. 21-057-01

Cost-of-Service Gas
Exhibits 7.1 – 7.3
Docket No. 21-057-01

Cost-of-Service Gas
New Drill Component
Exhibits 8.1 – 8.3
Docket No. 21-057-01

Data
Confidential
Exhibits 9.1 – 9.3
Docket No. 21-057-01

Average Market Price and
Cost-of-Service Price
Exhibits 10.1 – 10.2
Docket No. 21-057-01