Third Quarter
Variance Report

December 2021
Through
February 2022
Docket No. 21-057-01

Dominion Energy Utah
Third Quarter Variance Report
December 2021 –February 2022

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Third Quarter Variance Report for the period December 2021 – February 2022. 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 third quarter, December and January temperatures were slightly warmer than normal, and February temperatures were slightly colder than normal.

Gas Storage Exhibits 2.1 – 2.4

In the third quarter, Clay Basin inventory was generally higher than the 2021-2022 IRP estimates throughout the quarter as a result of reduced withdrawals due to warmer-than-normal temperatures in December and January and a change in the forecasted prices for natural gas. Higher price forecasts for natural gas in the months going forward resulted into model guidance to reduce inventory in Clay Basin at a slower rate than the IRP model originally suggested. That variance carried throughout the quarter. See Exhibit 2.1.

Aquifer inventory started the quarter close to even with the IRP forecast in December. However, the IRP model suggested significant withdrawals in January. Due to warmer than normal temperatures and high price forecasts for months going forward, these January withdrawals were not warranted. Inventory remained higher than forecasted through the quarter. See Exhibit 2.2.

Firm Sales Exhibits 3.1 – 3.4

Actual sales through the third quarter of the 2021 – 2022 IRP year were 2% lower than the level forecasted in the IRP. December saw the largest variance, 7% below the forecast, resulting from heating degree days (HDD) that fell 12% below the 20-year normal level for the month. Negative and positive HDD variances of -6% and 7% in January and February, respectively, brought a small net variance in demand of 0.4% below the forecast. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3

Gas Purchases in December, January, and February were higher than forecasted for each of the months. Despite higher prices than recent history, the updated model guidance recommended purchasing more and reducing withdrawals from Clay Basin due to even higher forecasted prices in forward months. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance Exhibits 5.1 – 5.3

Purchase gas costs were significantly higher than forecasted in December, January, and February. These higher total costs were primarily due to the dramatic increase in the

unit cost of natural gas. These price increases were experienced throughout the country and are forecasted to continue through the beginning of 2023. With the updated forecasts, guidance suggested to save withdrawal capability from storage for later in the heating season due to forecasted price increases. This guidance also led to increased purchases through the quarter.

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

Purchase gas unit cost continues to be significantly above the IRP forecast through the third quarter. As noted in the second quarter variance, price dynamics changed across the country quite significantly towards the end of the summer. The primary driver was the global demand for LNG due to high pricing in Europe and Asia. Also, high pricing in offsetting fuels, such as coal, prevented gas-to-coal switching in the power generating sector, which has also impacted pricing. Fear also remains in the market after the events of February 2021 contributing to the overall price increase. These fundamentals continue to persist through the quarter keeping prices high and driving forecasted prices for forward months even higher with continued concerns regarding the low level of storage expected at the start of the injection season. See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

The cost-of-service gas production was lower than expected for December, January, and February. This variance was caused by delays in the start of new wells that were expected in November in the Canyon Creek and Trail drilling areas. These delays occurred due to continued supply chain issues that have affected the entire industry. Other contributing factors were disappointing results from recompletion work in the Powder Wash area and some compressor downtime that occurred in some of the fields. See Exhibit 7.1.

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

Expected new drill continues to be 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 66.81% for the quarter. The actual purchase gas percentage came in at 72.93%, which is higher than forecast of 66.81% due to the increased purchases described above and the reduced cost-of-service production due to the delays in production compared to the IRP 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
Dec-21	72.24%	64.04%	27.76%	35.96%
Jan-22	73.59%	68.29%	26.41%	31.71%
Feb-22	72.95%	67.95%	27.05%	32.05%
Q3	72.93%	66.81%	27.07%	33.19%

Table 2 below summarizes estimated average daily shut-in verses actual average daily shut-in during the third quarter. No shut-ins were forecasted and no production was shut in during this period.

TABLE 2

	December	January	February	Total Dth for Quarter
Estimated Shut-in (dth/day)	0	0	0	0
Acutal 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 Q3. It only made normal updates to storage volumes and price forecasts. The Company made adjustments to operations that differed from the IRP model guidance. Specifically, the Company followed the updated model guidance. Warmer temperatures and higher forecasted prices for forward periods resulted in recommendations for additional purchases and reduced storage withdrawals in order to save storage available for later in the heating season when prices were expected to increase.

DNG Action Plan

The following project was updated during the third quarter.

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% ($7.4 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 restrict activities in the thermal radiation exclusion zones extending beyond the Dominion Energy property line. 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 full details of the LNG construction costs are discussed in further detail in the Company's rate case in Docket 22-057-03.

Rural Expansion Update

The Company completed construction on the majority of the Eureka system in mid-November 2021. 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. Construction of the IHP systems in Goshen and Elberta began in May 2022 and the project remains on time and on budget. Construction of the Green River project will begin in early 2023. Engineering, design, and permit acquisition are all under way for the remaining work in these communities.

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

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