

Fourth Quarter Variance Report

March 2022

Through

May 2022

Docket No. 21-057-01

Dominion Energy Utah
Fourth Variance Report
March 2022 –May 2022

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Fourth Quarter Variance Report for the period March 2022 – May 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 fourth quarter, March was slightly warmer than normal. April had near-normal temperatures and May was slightly cooler than normal.

Gas Storage

Exhibits 2.1 – 2.4

In the fourth quarter, Clay Basin inventory started higher than expected, but reduced in April and did not refill as forecasted in May. This was due to cooler-than-normal weather in May and significantly high purchase prices in April and May. The Company avoided purchasing supply at high prices utilizing its supply rather than filling storage as forecasted. See Exhibit 2.1

Aquifer inventory started higher than normal in March but was reduced to below normal in April and May because the Company used additional aquifer withdrawals to offset high pricing when Clay Basin withdrawals were not available due to low inventory. See Exhibit 2.2

Firm Sales

Exhibits 3.1 – 3.4

Actual sales through the fourth quarter of the 2021-2022 IRP year were slightly lower than the forecasted level. March was warmer than normal, and May was cooler than normal, resulting in a slightly lower-than-forecast level of sales. Usage in March had a variance of -7% and May had a variance of 5%. See Exhibit 3.1.

Gas Purchased from Third Parties Volume Variance

Exhibits 4.1 – 4.3

Gas purchases throughout the quarter were below the forecasted purchase amounts. The reduced purchases were due to much higher than forecasted pricing during the period. The Company utilized storage withdrawals in place of purchases. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance

Exhibits 5.1 – 5.3

Purchase gas costs were slightly higher in the fourth quarter despite the reduced purchased volumes. The increase costs were due entirely to the high unit costs of purchases. See Exhibit 5.1.

Gas Purchased from Third Parties Unit Cost Variance

Exhibits 6.1, 6.2

Purchase gas unit cost were significantly higher than what was forecast in the 2021-2022 IRP. As discussed in the first quarter variance report, price dynamics changed across the country quite significantly towards the end of the summer of 2021. 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. Despite growth in natural gas production, the deficit compared to demand continued to increase through the quarter resulting in continued price increases. See Exhibit 6.1.

Cost-of-Service Gas

Exhibits 7.1 – 7.3

The cost-of-service gas production was slightly lower than expected for March and very close to forecast for April and May. This variance was caused by compressor downtimes in most fields along with delays in new drill in Canyon Creek, Trail and Whiskey Canyon. See Exhibit 7.1.

Cost-of-Service Gas New Drill Component

Exhibits 8.1 – 8.3

Expected new drill in March was a bit higher than normal and a little less than normal in April and May. Delays in the new drill were caused by supply chain issues. Additionally, an error was found in prior new drill reporting for November 2021-February 2022. This error has been corrected for that period as well as the fourth 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 52.25% for the quarter. The actual purchase gas percentage came in much lower than the forecast at 39.60%.

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
Mar-22	52.77%	58.56%	47.23%	41.44%
Apr-22	38.28%	54.55%	61.72%	45.45%
May-22	17.85%	39.28%	82.15%	60.72%
Q4	39.60%	52.25%	60.40%	47.75%

Table 2 below summarizes estimated average daily shut-in verses actual average daily shut-in during the fourth quarter. There were no shut ins during the quarter.

TABLE 2

	March	April	May	Total Dth for Quarter
Estimated Shut-in (dth/day)	137	6,657	6,599	408,496
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 Q4. 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 fourth quarter.

WA1604 District Regulator Station, South Salt Lake City, Utah

The Company has delayed installation of the regulator station in order to focus contractor resources on more critical projects. The Company continues to complete the design of the station and expects to complete construction in 2023.

SY0002 Syracuse District Regulator Station, Syracuse, Utah

Construction will begin this year but won't be complete until 2023 due to roadway cut moratoriums. The Company can complete construction of about 2 miles of the 2.5 miles of the FL047 extension, and it can complete installation of the regulator station. One-half mile of pipe can only be constructed when Syracuse lifts its road-cut moratorium. Syracuse city has indicated that it will allow Dominion Energy to cut the asphalt in June 2023. The Company will complete the pipeline at that time.

On-System LNG Facility, Magna, Utah

The liquefied 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. 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
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Gas Storage Graphs
Exhibits 2.1 – 2.4
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Firm Sales Graphs
Exhibits 3.1 – 3.4
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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
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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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