

Second Quarter
Variance Report

September 2022
Through

November 2022

Docket No. 22-057-02

Dominion Energy Utah
Second Variance Report
September 2022 –November 2022

Questar Gas Company *dba* Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Second Quarter Variance Report for the period September 2022 – November 2022. This report identifies the variance between the actual results and the projections set forth in the 2022 - 2023 Integrated Resource Plan (IRP).

Weather

Exhibits 1.1 – 1.3

During the second quarter, September and the beginning of October was warmer than normal and had fewer heating degrees days than expected. The end of October and November were colder than normal temperatures, resulting in more heating degree days.

Gas Storage

Exhibits 2.1 – 2.4

In the second quarter, Clay Basin inventory started lower than the 2022 – 2023 IRP estimates due to a lower than anticipated starting inventory in June, and lower injections in July and August resulting from high gas prices. The inventory in October and November increased significantly due to a few large volume purchases of gas already in Clay Basin storage. The Company purchased the gas and it was transferred into DEUWI's storage accounts. See Exhibit 2.1

Aquifer inventory was slightly higher than the 2022 – 2023 IRP estimates in September and October due to a slightly higher-than-anticipated starting level in June. See Exhibit 2.2

Firm Sales

Exhibits 3.1 – 3.4

Heating degree days (HDD) through the first two months of the quarter were 45% below normal. October was 36% below the normal level, and Firm Sales during that month fell 25% below the forecasted level (the forecast assumes normal HDD). However, in November, HDD moved sharply in the opposite direction, reaching 16% above normal. November's Firm Sales correspondingly increased to a level 30% above the normal-HDD forecast scenario. In aggregate, actual sales through the second quarter were 7% above the forecasted level.

Gas Purchased from Third Parties Volume Variance

Exhibits 4.1 – 4.3

Gas purchases for September and October were on track with the forecasted purchase amounts. November purchases were significantly higher than forecasted due to a few large volume purchases made by DEUWI at Clay Basin and additional necessary purchases to increase the storage levels in anticipation of the heating season. Ordinarily, the Company would inject volumes into storage during the summer. However, throughout the summer, pricing forecasts showed prices were expected to decrease in the fall. Prices in the fall were, in fact, below the prices seen in August. Updated model guidance, based on updated pricing forecasts, supported the Company purchasing as much natural gas as possible in the fall in order to maximize the Clay Basin inventory. See Exhibit 4.1.

Gas Purchased from Third Parties Cost Variance

Exhibits 5.1 – 5.3

Purchase gas costs were slightly higher in September, and lower in October. Purchase gas costs rose significantly in November due to the higher volume of gas purchased, as described above. Prices were extremely volatile during the entire quarter. See Exhibit 5.1.

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

In September, purchase gas unit costs increased compared to the original forecast, but they were lower than actual pricing in August. Prices dropped in October, and gradually began to rise throughout the month of November, ending the quarter with higher-than-normal prices. The majority of the purchases in November were made early to mid-month, before prices rose significantly. High pricing continued to be driven by high global demand for LNG due to high pricing in Europe and Asia. Also, high pricing in offsetting fuels, such as coal, continued to prevent gas-to-coal switching in the power generating sector. See Exhibit 6.1.

Cost-of-Service Gas Exhibits 7.1 – 7.3

The cost-of-service gas production was slightly higher than expected for September and October, and lower than projections for November. This variance was in part due to the inclusion of production of the newly acquired Alkali Gulch acquisition. However, in November the production increases were offset by compressor downtimes associated with maintenance of wells spread across multiple fields, along with supply-chain caused delays in new drill in the Island Unit. See Exhibit 7.1.

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

Expected new drill was higher than projected for September and October but lower than expected in November. Delays in the new drill were caused by supply chain issues. See Exhibit 8.1.

Table 1 below summarizes purchase and cost-of-service volume variances using 2022 – 2023 IRP projections and actual results as a percent of total. The 2022 – 2023 IRP projected purchase gas is expected to be 52.27% for the quarter. The actual purchase gas percentage came in higher than the forecast at 56.93.

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-22	23.05%	23.01%	76.95%	76.99%
Oct-22	50.78%	56.60%	49.22%	43.40%
Nov-22	71.70%	60.59%	28.30%	39.41%
Q2	56.92%	52.27%	43.08%	47.73%

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

TABLE 2

	September	October	November	Total Dth for Quarter
Estimated Shut-in (dth/day)	156	155	154	14,094
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 first quarter variance report provided details on model adjustments. No additional model adjustments were made during the second quarter.

DNG Action Plan

The first quarter variance report provided details on project updates. All other projects were on schedule and on budget during the second quarter.

On-System LNG Facility, Magna, Utah

The liquified natural gas facility in Magna, Utah was placed in service in December of 2022. In Docket 22-057-16, parties agreed to limit the filling of the tank to three or four days worth of withdrawal capacity. Liquifaction began in November 2022 and continued through mid-January 2023. Due to high natural gas prices this winter heating season, the Company elected to stop filling the tank with about 14 feet of LNG in storage. This is enough volume to keep the tank cool, but only one day worth of withdrawal capacity. The Company plans to fill the tank in the spring and summer when natural gas prices are lower.

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 some customers, and more customers are in the process of converting their equipment to safely burn natural gas. As of November 20, 2023, 306 customers had signed up for service in Eureka. Service lines have been installed for 297 of those customers, and 184 meters have been installed. The Company remains in contact with Eureka city officials and customers to ensure that homes are properly and safely converted.

The Company completed construction on the majority of the Goshen and Elberta systems on November 14, 2022. As of February 20, 2023, 318 customers had signed up for service in those communities. Service lines have been installed for 285 of those customers, and 61 meters have been installed. The Company remains in contact with Goshen and Elberta city officials and customers to ensure that homes are properly and safely converted.

The Company continues to make progress toward providing service to the community of Green River. 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 that community

Heating Degree Day
Graphs
Exhibit 1.1 – 1.3
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Gas Storage Graphs
Exhibits 2.1 – 2.4
Docket No. 22-057-02

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

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