

POLICIES & GUIDELINES

Policy #: 05-DP-DCQS-009

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Subject: Setting new, and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South | Effective: November 1, 2010 |
| Applies to: All new or existing Bundled-T (BT), T-Service (T1/T3) and Unbundled (U2, U5, U7, U9) direct purchase customers in Union Gas's Southern operations area that are not eligible for Firm Billing Contract Demand. (Policy #10-DP-DCQS-009) | |
| Purpose: This policy will ensure consistent and fair treatment for setting and changing (either increases or decreases) a customer's Daily Contract Quantity (DCQ). | |
| Background: <i>(Not to limit the applicability of the policy)</i> The direct purchase contract identifies the obligated DCQ for the term of the contract. This policy addresses situations where: a new contract (location not previously served by Union) requires a DCQ to be set; or, a change in obligated DCQ is requested by an existing customer and/or their agent; or, a change in an existing obligated DCQ is required at the time of contract renewal or contract amendment. Once a customer has received a Vertical Slice allocation, all future end use location transfers from Union Gas's sales service will result in an allocation of Vertical Slice. A U2 customer is a customer, or an agent, who is authorized to serve residential and non-contract commercial and industrial end-users paying a Monthly Fixed Charge and Delivery Charge under Rate M1 or M2. West of Dawn – Customer's end-use locations are served by Union Gas via the PanHandle 16 and 20 inch system and/or the Sarnia Industrial system. East of Dawn – Customer's end-use locations are served by Union Gas via the Dawn to Trafalgar transmission system. Parkway Call - Union Gas has the right to require Unbundled Customers to deliver 100% of their Parkway DCQ at Parkway for the number of days listed in Schedule 1 of their Contract. Except for the Parkway Call, the customer has no obligation to deliver any quantities on any day. Nominations to a secondary receipt point are interruptible. | |
| Policy: When initiating a contract, the DCQ will be set to reflect the historical and/or forecasted consumption for the contract term. At contract renewal/amendment, the DCQ may be increased or decreased, to reflect the historical and/or forecasted consumption for the contract term. The DCQ for BT, T1, and T3 contracts is obligated. The DCQ for unbundled contracts is not obligated but subject to a Parkway Call when requested by Union Gas. DCQ (GJ/day) is equal to 12 months historical volumetric consumption at the end use locations underlying the direct purchase contract / 365 days * Heat Value (GJ/10 ³ m ³). If the contract has a term greater than 12 months, the DCQ is calculated by dividing the historical volumetric consumption for the term of the contract by the number of days in the contract term. The consumption of general service end-use locations is weather normalized. Setting the DCQ when initiating a new Direct Purchase contract | |
| Supersedes: November 1, 2009 Version | Page 1 of 4 |

Non-telemetered General Service end-use locations served under Rate M1 or M2 with new consumption

- End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy ([Policy #03-DP-VS-002](#)). Any new contract with a DCQ less than 300 GJ per day will be managed pursuant to Union Gas's < 300 GJ policy ([Policy #03-DP-VS-003](#)).
- End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract.

Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9 with new consumption

- End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy ([Policy #03-DP-VS-002](#)). Any new contract with a DCQ less than 300 GJ per day will be managed pursuant to Union Gas's < 300 GJ policy ([Policy #03-DP-VS-003](#)).
- End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract, unless otherwise agreed to by the two contracting parties.
- New end-use locations, not previously served by Union Gas's sales service, will be allocated:
 - If located **East of Dawn**, the DCQ will be managed through Ontario deliveries made at Parkway.
 - If located **West of Dawn**, the DCQ will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option.

Increasing an existing Direct Purchase DCQ parameter

Non-telemetered General Service end-use locations served under Rate M1 or M2

- End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy ([Policy #03-DP-VS-002](#)). Any contract with a DCQ increase of less than 300 GJ per day will be managed pursuant to Union Gas's < 300 GJ policy ([Policy #03-DP-VS-003](#)).
- End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract.
- Any DCQ increases due to consumption, for contracts that currently have Ontario deliveries, will be managed through Ontario deliveries at Parkway.
- Any DCQ increases due to consumption, for contracts that do not currently have Ontario deliveries, will be managed through an allocation of TCPL capacity, if available. If TCPL capacity is not available, or if the customer requests it, the DCQ increase will be managed through Ontario deliveries at Parkway.

Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9

- End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as defined in Union Gas's Vertical Slice Policy ([Policy #03-DP-VS-002](#)). Any contract with a DCQ increase of less than 300 GJ per day will be managed pursuant to Union Gas's < 300 GJ policy ([Policy #03-DP-VS-003](#)).
- End-use locations transferring from an existing direct purchase contract will bring a prorata allocation of the upstream capacity used to serve them on the originating contract, unless otherwise agreed to by the two

Supersedes:

November 1, 2009 Version

Page 2 of 4

contracting customers.

- Any increases in DCQ due to consumption will first be applied at the Ontario Point(s) of Receipt last decreased, where it can be determined. The greatest DCQ at each Ontario Point of Receipt from previous contract amendments will be used as the basis to determine this. Any increase in excess of what was previously contracted will receive an allocation as follows:
 - If points of consumption are **East of Dawn**, the DCQ increase will be managed through Ontario deliveries made at Parkway.
 - If points of consumption are **West of Dawn**, the DCQ increase will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option.
 - If points of consumption are **East and West of Dawn**, a review needs to be completed at the account level to determine which account had the increase and the policy can be applied appropriately as above.
- If the Ontario Point(s) of Receipt last decreased cannot be determined, the increase will be prorated between the Ontario Points of Receipt.
- New end-use locations that were not previously served by Union Gas's sales service that are being added to an existing Direct Purchase arrangement will receive an allocation as follows:
 - If located **East of Dawn**, the DCQ increase will be managed through Ontario deliveries made at Parkway.
 - If located **West of Dawn**, the DCQ increase will be managed through Ontario deliveries made at Dawn or Parkway at the customer's option.

Decreasing an existing Direct Purchase DCQ parameter

Non-telemetered General Service end-use locations served under Rate M1 or M2

- DCQ decreases as a result of consumption will be managed by prorating the decrease over the Ontario Points of Receipt first. If the decrease is greater than the total of the Ontario Points of Receipt, the remaining decrease will be prorated over all the other current Points of Receipt.
- All other decreases to DCQ, including a transfer to Union Gas's sales service, will be prorated evenly across the contract's then current Points of Receipt and associated upstream arrangements will be reduced proportionately.

Telemetered General Service (M2) and Contract end-use locations served under rates: M4, M5, M7, M9, T1, T3, U5, U7, or U9

- DCQ decreases will be managed by first decreasing Ontario Points of Receipt.
 - Where the customer has multiple Ontario Points of Receipt, the decrease will be applied to the receipt points in the reverse order that they were increased since the initial contract; where contract history is available.
 - If the last point of receipt cannot be determined then the decrease will be prorated between the Ontario Points of Receipt. Reductions in upstream arrangements allocated/assigned by Union Gas to the customer will be adjusted accordingly.
- Once all of the Ontario Points of Receipt have been exhausted, upstream arrangements allocated/assigned by Union Gas to the customer will then be reduced

Supersedes:

November 1, 2009 Version

Page 3 of 4

Procedures

- 1) Union Gas will calculate or recalculate DCQ under the following circumstances:
 - a. Upon contract renewal, or
 - b. Upon the addition or deletion of end-use locations to/from the contract based on an effective date that is other than the contract renewal date. End-use locations may be added or deleted to the contract pursuant to the Gas Distribution Access Rule Electronic Business Transactions Standard. An amendment to the contract in this event is created at Union Gas's discretion.
- 2) For direct purchase contracts comprised of telemetered general service and contract rate end-use locations, the DCQ calculation at contract renewal, will be based on information available approximately 80 days prior to contract renewal. In addition:
 - a. Union Gas will issue a Contract Parameters Report summarizing forecast consumption, changes in obligated DCQ, and corresponding changes in upstream transportation allocation consistent with the above policy approximately 70 days prior to the contract's renewal date.
 - b. Customer may propose and Union Gas may accept an alternative forecast (with a resulting change in obligated DCQ) provided the contract holder provides a justification acceptable to Union Gas for the increase or decrease - a forecast of expected consumption to support the requested obligated DCQ must be provided no later than 54 days before the contract's renewal date. Requests received after this date will be dealt with on a reasonable efforts basis.
 - c. If Customer's consumption is predominately in a single season, Union Gas will consider a seasonal DCQ where mutually agreed upon.
 - d. Customer will sign back the Contract Parameters Report approximately 54 days prior to the contract's renewal date.
- 3) Union Gas will issue a final Contract Parameters Report and contract amendment (reflecting obligated DCQ changes consistent with the above policy, and the resulting balancing requirements) approximately 35 days before the effective date of the amendment for customer signature.
- 4) Customer will sign and return the contract amendment to Union Gas at least 25 days before the effective date of the amendment.
- 5) Union Gas will sign the contract amendment and provide a copy to the customer approximately 1 week after receiving the signed amendment from customer.
- 6) Union Gas will prepare and Union Gas/customer will sign and execute temporary assignment paperwork for upstream pipelines, as necessary, in accordance with schedule one of the contract.
- 7) Customer will nominate deliveries to Union Gas reflecting the above contract amendment.