

## POLICIES & GUIDELINES

**Policy #: 03-DP-BAL-001**

<b>Subject:</b> Incremental Supply for Southern Direct Purchase Balancing Purposes	<b>Effective:</b> December 14, 2006
<b>Applies to:</b> Customer with an obligated Daily Contract Quantity (DCQ) on a Direct Purchase contract (Bundled-T, T-1, T-3) or Parkway Call on an Unbundled contract (U2, U5, U7, U9) in Union Gas's Southern Operations area.	
<b>Purpose:</b> Customer who requires incremental supply to meet expected balancing requirements of their direct purchase contract. <ul style="list-style-type: none"><li>• For a BT contract, incremental supply may be required to ensure the Banked Gas Account ("BGA") balance meets the balancing requirements of the BT contract.</li><li>• For a T1, T3, or Unbundled contract, incremental supply may be required to manage the storage balance.</li></ul>	
<b>Background:</b> <i>(Not to limit the applicability of the policy)</i>  Customer's consumption on an actual basis can differ from what was forecasted when the contract was established/amended. Under direct purchase, the customer is responsible for ensuring their receipts are equivalent to consumption and for ensuring their Bundled-T BGA or T1/T3/Unbundled storage balance meets contract requirements. Should a customer consume more than planned, the customer will ultimately have to take action to provide additional gas receipts. Delivering incremental supply is one mechanism used by a customer to meet additional consumption. Maintaining system integrity is a fundamental principle underlying this policy.  Definitions: Incremental Deliveries to Union's Franchise is supply in excess of the customer's obligated DCQ for Bundled-T, T1, T3 or non-obligated DCQ for T1, T3 or total firm entitlement for Unbundled customers.  Parkway Call - Between November 1st and March 31st, Union has the right to require an Unbundled Customer (U2, U5, U7, U9) to deliver all of the Parkway Receipt Point DCQ at Parkway for the number of days listed in Schedule 1. Customer will be notified on the Day immediately preceding the Day for which the Parkway Call is required. Customer, when notified by Union, shall nominate and deliver the Parkway Call quantity and re-nominate to balance all of its Receipts and Storage with its Deliveries.	
<b>Policy:</b> Union Gas will accept incremental supply subject to Union's operational capabilities and to the following conditions: <ul style="list-style-type: none"><li>• Bundled-T customers must demonstrate the need for incremental supply by establishing that the incremental supply is required to achieve a BGA position within established contract parameters.</li><li>• T1/T3 customers must have sufficient storage space available, and end use demand to justify the incremental supply need.</li><li>• Unbundled customers must have sufficient injection and storage space available.</li><li>• Using an authorization notice, Customer's request for incremental supply shall clearly state preferred delivery point, maximum daily volume, term, and total volume.</li><li>• Union Gas's acceptance of request for incremental supply shall be confirmed through an Authorization Notice and subject to Union's operating ability to receive the incremental supply. Union Gas shall not unreasonably withhold acceptance.</li><li>• Incremental supply for a customer in Union South can be received at any interconnect to Union Gas's system, subject to Union Gas's authorization.</li></ul>	
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- All incremental supply is interruptible at Union Gas's discretion based on Union Gas's physical ability to receive the gas on any day.
- In case of conflict, customer's contract with Union Gas takes precedence over policy.
- The execution of Authorization Notices for incremental deliveries does not authorize any overrun charges that may occur due to the incremental supply. Overrun needs to be requested separately.

### Procedures

1. Customer's request should be made at least 3 business days in advance of the effective date of the first day of delivery of incremental supply. Transactions requested and accepted via Unionline can be made 1 business day in advance of the effective date of the first day of delivery of incremental supply. Requests made with shorter notice will be evaluated on a reasonable efforts basis.
2. The customer's request for incremental supply must specify the contract SA#, the total amount to be supplied, daily parameters, term, and receipt point. In addition, if known at the time of the request, the customer should identify the supplier of the incremental gas (will be necessary for nomination purposes).
3. Union Gas evaluates the request based on the ability to receive that amount of gas as requested. If the request comes from a Bundled-T customer, the customer must demonstrate the need for the additional gas by having a BGA forecast to be less than contract tolerances. Union Gas will consider any restrictions that may exist for its system at the time, whether credit requirements are met, and whether all contract paperwork is current.
4. If acceptable, Union Gas will issue an authorization notice to customer to confirm acceptance of the request.
5. Customer signs the authorization notice and returns signed notice back to Union Gas.
6. Union Gas signs and provides a copy of the fully executed authorization notice to customer.
7. Customer nominates incremental supply per the nominations deadlines outlined in the contract. Customer must identify the contract SA# when nominating the supply. Further, customer must identify the supplier if customer had not previously done so.
8. Union Gas confirms/schedules the nomination as outlined in the contract.
9. Incremental gas arrives as nominated and is reflected in a Bundled-T customer's BGA through the receipts column of the DP status report or in a T1/T3 customer's storage account through the Incremental Supply column of the T-Service Allocation Report, unless otherwise interrupted.
10. In the event an authorization notice is interrupted, the customer will be notified by Union, by phone or fax. Notification will be sent to the customer no later than the close of the timely nomination window unless unforeseen scheduling reductions are required. (Policy #07-DP-BAL-014 – in development).

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