

POLICIES & GUIDELINES

Policy #: 05-DP-DCQN-008

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| Subject: Setting new and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas North | Effective: July 24, 2008 |
| Applies to: All new or existing Bundled-T (BT) direct purchase customers in Union Gas's Northern and Eastern operations area. It excludes those situations where Union Gas's nominations to the customers are adjusted periodically during the term of the contract to reflect a planned zero Banked Gas Account (BGA) balance at the end of the contract year. | |
| 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 either: a new contract requires a DCQ to be set; or a change in obligated DCQ is requested by a customer and/or their agent; or a change in obligated DCQ is required at the time of contract renewal or contract amendment. Upstream Load Factor reflects the percent utilization of upstream assets contracted to serve a Union Gas Delivery Area. The load factor is determined by dividing the forecasted annual utilization of upstream assets for a delivery area by the annual contracted quantity for upstream assets to serve the Delivery Area. Currently the load factors in the Northern and Eastern operations area are 100%. | |
| 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 contracts is obligated. Union Gas will determine the obligated DCQ based on the most recent 12 months of actual firm consumption of end use locations underlying the direct purchase contract / 365 days * Heat Value (GJ/m ³)/load factor. If the contract has a term greater than 12 months, the DCQ is calculated by dividing the historical 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 Non-telemetered General Service end-use locations served under Rate 01 and Rate 10 with new consumption <ul style="list-style-type: none">▪ End-use locations either transferring from Union Gas's sales service or transferring from an existing direct purchase contract will receive an allocation of Union Gas's Western upstream transportation arrangements. Telemetered Contract end-use locations served under Rate 20 and Rate 100 with new consumption <ul style="list-style-type: none">▪ End-use locations either transferring from Union Gas's sales service or transferring from an existing direct purchase contract will receive an allocation of Union Gas's Western upstream transportation arrangements. | |
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Increasing an existing Direct Purchase DCQ parameter

Non-telemetered General Service end-use locations served under Rate 01, and Rate 10

- Any DCQ increases: due to end-use locations transferring from Union Gas's sales service; or due to end-use locations transferring from an existing direct purchase contract; or due to consumption increases will receive an allocation of Union Gas's Western upstream transportation arrangements,

Telemetered Contract end-use locations served under Rate 20 and Rate 100.

- Any DCQ increases: due to end-use locations transferring from Union Gas's sales service; or due to end-use locations transferring from an existing direct purchase contract; or due to consumption increases will receive an allocation of Union Gas's Western upstream transportation arrangements.

Decreasing an existing Direct Purchase DCQ parameter

Non-telemetered General Service end-use locations served under Rate 01, Rate 10

- Any DCQ decreases: due to end-use locations transferring to Union Gas's sales service; or due to end-use locations transferring to an existing direct purchase contract; or due to consumption decreases will be managed by decreasing the Customer's Western DCQ.

Telemetered Contract end-use locations served under Rate 20 and Rate 100

- Any DCQ decreases: due to end-use locations transferring to Union Gas's sales service; or due to end-use locations transferring to an existing direct purchase contract; or due to consumption decreases will be managed by decreasing the Customer's Western DCQ.

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, the calculation 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 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. Customer will sign back the Contract Parameters Report approximately 54 days prior to the contract's

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renewal date.

- 3) Union Gas will issue a final Contract Parameters Report and contract amendment (reflecting obligated DCQ changes consistent with the above policy) 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 their respective schedules.
- 7) Customer will nominate deliveries to Union Gas reflecting the above contract amendment.