

POLICIES & GUIDELINES

Policy #: 05-DP-DCQS-009

Subject: Setting new, and increasing or decreasing existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South	Effective: January 1, 2008
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 (<i>policy in development</i>).	
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. 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 service residential and non-contract commercial and industrial end-users paying for a Monthly Fixed Charge and Delivery Charge under Rate M1 or M2. West of Dawn – Customers' end-use locations served by the PanHandle 16 and 20 inch lines as well as the Sarnia Industrial line. East of Dawn – Customers' end-use locations served by the Dawn to Trafalgar transmission line. Parkway Call – Between November 1st and March 31st, 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 at any location, 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 Parkway Call when requested by Union Gas. DCQ (GJ/day) is equal to 12 months consumption of end use locations underlying the direct purchase contract / 365 days * Heat Value (GJ/m ³). 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 <ul style="list-style-type: none">▪ End-use locations transferring from Union Gas's sales service will receive an allocation of Union Gas's upstream transportation arrangements as	
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M1 or M2 with new consumption

defined in Union Gas's [Vertical Slice Policy](#). Any new contract with a DCQ less than 300GJ per day will be managed pursuant to Union Gas's [< 300 GJ policy](#).

- 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](#) . Any new contract with a DCQ less than 300GJ per day will be managed pursuant to Union Gas's [< 300 GJ policy](#).
- 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](#).. Any new contract with a DCQ increase of less than 300GJ per day will be managed pursuant to Union Gas's [< 300 GJ policy](#).
- 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](#). Any new contract with a DCQ increase of less than 300GJ per day will be managed pursuant to Union Gas's [< 300 GJ policy](#).
- 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 customers.
- 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:

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- 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.
- Any increases in DCQ due to consumption 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 first decreasing Ontario Points of Receipt.
- Where the customer has multiple Ontario Points of Receipt, the decrease will be applied at the Point of Receipt last increased where it can be determined. If the last point of receipt cannot be determined then the decrease will be prorated. Reductions in upstream arrangements allocated/assigned by Union Gas to the customer will be adjusted accordingly.
- 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.
- 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.
- Where the customer has multiple Ontario Points of Receipt, the decrease will be applied at the Point of Receipt last increased where it can be determined. If the last point of receipt cannot be determined then the decrease will be prorated. Reductions in upstream arrangements allocated/assigned by Union Gas to the customer will be adjusted accordingly.

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

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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. 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 their respective schedules.
 - 7) Customer will nominate deliveries to Union Gas reflecting the above contract amendment.