

POLICIES & GUIDELINES

Policy #: 06-DP-CS-011

Subject: Assignment of Upstream Transportation Capacity	Effective: December 14, 2006
Applies to: Any Direct Purchase contract in Union Gas's Southern or Northern and Eastern Operations Area.	
Purpose: To assign Union Gas's upstream transportation capacity to Union Gas's direct purchase customers as requested or required.	
Background: <i>(Not to limit the applicability of the policy)</i> Customers receive an allocation of capacity which may or may not include an assignment of that capacity. Note: Direct purchase (DP) customers and/or the direct purchase customers' appointed agent are jointly referred to as 'customers'. There are three different assignment types: <ul style="list-style-type: none">• Temporary – the receipt points are maintained in the direct purchase contract but the assignment of upstream transportation capacity and receipt point is reflected in an Authorization Notice. Union Gas remains the upstream transportation contract holder. This type is used when a customer opts to change the receipt point obligation for TCPL capacity from Western to Ontario to take advantage of options available by managing the capacity themselves.• Contracted – assignment of upstream transportation capacity and receipt point is reflected in the direct purchase contract but Union Gas remains the upstream transportation contract holder. The assignment of upstream transportation capacity will be renewed each year. This type is used when a customer receives a vertical slice allocation and/or when a customer moves to an unbundled service.• Permanent – assignment of upstream transportation capacity and receipt point is reflected in the direct purchase contract but the customer assumes all rights, obligations, and responsibilities associated with the upstream transportation company. This type is used when a customer opts to assume the contract with the upstream transportation company. In Union Gas's Southern Operations area: <ul style="list-style-type: none">• A TCPL assignment is a customer option for Bundled T or T1/T3 services. The term of the assignment is equivalent to the lesser of the term of the underlying DP contract or the term of the underlying transportation capacity contract. The assignment is requested by the customer and approval is dependent upon available upstream transportation capacity and must be supported by customer consumption.• Vertical Slice is a mandatory assignment of Union Gas's existing upstream transportation contracts. Assignment of this capacity is facilitated by a monthly post and bid process on the US pipelines and an assignment agreement for the Canadian pipelines. (Policy # 03-DP-VS-002)• When a customer moves from a bundled service to an unbundled service, existing allocations are grandfathered. However, in order to give the customer control over the upstream transportation capacity, the current Western obligation will be transferred to an Ontario obligation and requires an assignment of upstream transportation capacity.• Union will take back what was originally assigned to the direct purchase contract based on the portfolio serving the customers when they transferred from sales service to Direct Purchase. To the extent customers subsequently rearrange their upstream portfolios; Union will not take back any upstream capacity that is not directly related to the original capacity assignment.• Customers with a vertical slice allocation require an assignment and may request an alteration of the assignment as a result of finding another party willing to exchange components of allocated upstream transportation capacity to manage their portfolio. (Policy #06-DP-VS-005)	
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In Union Gas's Northern and Eastern Operations area:

- a TCPL assignment is not available for Bundled T service but is a requirement for T-Service.

Policy:

- Subject to operational availability and provided appropriate notice is provided by customer, Union Gas will assign upstream transportation capacity to the customer or facilitate the exchange of upstream transportation capacity between customers. For a Permanent Assignment, Union will review and approve requests on a case by case basis.
- If a customer subsequently returns to Sales service, Union Gas will take back the capacity assigned to them under Temporary and Contracted assignments. If a customer subsequently returns to Sales service after having rearranged their vertical slice capacity allocations, Union Gas will take back the customer's temporarily assigned capacity in proportion to the vertically sliced pieces of capacity originally assigned to that customer. In the event the customer holds permanently assigned capacity, Union Gas has sole discretion over whether it is willing to take the capacity back.

Procedures

1. The customer(s) will notify Union Gas of the change at least 60 days prior to the effective date of the assignment. For Permanent assignments, notification required is pipeline dependent. The pipeline determines the appropriate notice required prior to the effective date of the assignment to allow for the transfer of financial obligations with the upstream pipeline company. Customer will indicate the amount of capacity by receipt point and the associated term. For a Temporary or Contracted assignment, the end date will be no later than the earliest expiry date of the associated direct purchase and/or underlying upstream transportation capacity contracts. For a Permanent assignment, there will be no end date.
2. If the customer requests a different upstream transportation capacity allocation from Union Gas (i.e. Union Gas is the potential counterparty), Union Gas will review the request to determine the impact of the request and may agree to exchange capacity.
3. Temporary assignments are facilitated via an Authorization Notice and the following steps are followed:
 - a. Union Gas will prepare Authorization Notices for each affected contract to facilitate the change in receipt point obligations. The Authorization Notice indicates the amounts by receipt point, the start date, and the end date of the change.
 - b. Union Gas will prepare temporary assignment paperwork for each upstream pipeline company (where applicable).
 - c. The customer(s) will sign and return the Authorization Notices and upstream pipeline company's temporary assignment paperwork to Union Gas no later than 25 days before the effective date of the change. The change will be processed when all contract paperwork referred to in 3(a) and 3(b) is signed and returned to Union Gas.
 - d. Union Gas will sign the Authorization Notices and return copies to the customers approximately 1 week after receiving the signed amendment from the customer.
 - e. Union Gas will sign the upstream pipeline company's temporary assignment paperwork and forward to the upstream pipeline company as per its requirements.
 - f. The upstream transportation capacity and receipt point requirements revert back to the underlying direct purchase contract obligations at the expiry of the Authorization Notice.
4. Contracted assignments are facilitated via a change in the underlying direct purchase contract and the following steps are followed:
 - a. Union Gas will prepare contract amendments for each affected contract to facilitate the change in receipt point obligations. The amendment will indicate the effective date of the change.
 - b. Union Gas will prepare temporary assignment paperwork for each upstream pipeline company (where applicable).
 - c. The customer(s) will sign and return the contract amendments and upstream pipeline company's temporary assignment paperwork to Union Gas no later than 25 days before the effective date of the

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change. The change will be processed when all contract paperwork referred to in 4(a) and 4(b) is signed and returned to Union Gas.

- d. Union Gas will sign the contract amendments and return copies to the customers approximately 1 week after receiving the signed amendment from the customer.
 - e. Union Gas will sign the upstream pipeline company's temporary assignment paperwork and forward to the upstream pipeline company.
5. Permanent assignments are facilitated via a change in the underlying direct purchase contract as long as there is no detrimental impact on Union's customers. In addition, the contractual relationship with the upstream pipeline company is transferred from Union Gas to the customer via the upstream pipeline company's paperwork. The required lead time for permanent assignments varies by upstream pipeline company.
- a. Union Gas will contact the upstream pipeline company to request a change to its existing contract with the pipeline company.
 - b. The upstream pipeline company will evaluate the request and issue a contract amendment to Union Gas and a contract to the customer.
 - c. Union Gas will prepare contract amendments for each affected direct purchase contract to facilitate the change in receipt point obligations. The amendment will indicate the effective date of the change.
 - d. The customer will sign and return the upstream pipeline company's contract in accordance with the upstream pipeline company's required lead time.
 - e. Union Gas will sign and return the upstream pipeline company's contract amendment in accordance with the upstream pipeline company's required lead time.
 - f. The customer will sign and return direct purchase contract amendments to Union Gas no later than 25 days before the effective date of the change. The change will be processed when all contract paperwork referred to in 5(c) and 5(d) is signed and returned to Union Gas.
 - g. Union Gas will sign the direct purchase contract amendments and return copies to the customers approximately 1 week after receiving the signed amendment from the customer.
6. Where applicable, the change will be reflected through the monthly post and bid process for the affected upstream pipelines.
7. The customer(s) will nominate supply to reflect the change in receipt point obligations per the nomination deadlines outlined in the direct purchase contract.
8. Union Gas will confirm/schedule the nomination as outlined in the direct purchase contract.
9. Where an assignment exists, the customer will be billed by upstream pipeline company. If the customer has an assignment of capacity through the monthly post and bid process on US pipelines and has bid the maximum price, the customer will receive a credit, on their Direct Purchase invoice, for the difference between the bid price and the price originally contracted by Union Gas with the US pipeline. This credit will appear on the Direct Purchase invoice the month after Union has been invoiced by the upstream pipeline company.