

POLICIES & GUIDELINES

Policy #: 03-DP-VS-002

Subject: Vertical Slice Policy	Effective: July 24, 2008
Applies to: South sales service customers transferring from sales service to direct purchase.	
Purpose: To allocate upstream transportation capacity, in proportion to Union Gas's sales service portfolio, to customers transferring from sales service to direct purchase.	
Background: <i>(Not to limit the applicability of the policy)</i> Note: Direct purchase customers and/or the direct purchase customers appointed agent (jointly referred to as 'customers'). Union Gas is responsible for managing the upstream transportation requirements for sales service customers. As sales service customers transferred to direct purchase, they were originally allocated 100% TCPL transportation capacity, as Union Gas's upstream transportation portfolio was, at the time, largely comprised of TCPL capacity. Union Gas's sales service upstream transportation portfolio now includes other transportation assets. In order to accurately and fairly reflect the upstream transportation capacity that Union Gas uses to serve sales service customers, the Vertical Slice policy allocates upstream transportation capacity to customers transferring from sales service to direct purchase. in the same proportion that the capacity exists in Union Gas's sales service upstream transportation portfolio. The OEB approved the vertical slice allocation methodology effective November 1, 2001 (in EB-2001-0441).	
Policy: <ul style="list-style-type: none"> • A new vertical slice allocation will be established annually to be effective each November 1st based on Union Gas's projected sales service upstream transportation portfolio. Once set, the vertical slice allocation will remain in effect for a 1 year period (ending the following October 31st). This allocation will apply to all sales service customers that transfer to direct purchase during that period. • The new vertical slice, to be effective November 1st, will be communicated to the market no later than August 31st of each year via Factsline. • Direct purchase customers that receive the vertical slice are not subject to an annual re-allocation each November 1st. However, any new direct purchase transfers will be managed as defined in the "Setting New, and Increasing or Decreasing Existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South" (Policy #05-DP-DCQS-009). • The direct purchase customer is required to complete the necessary posting/assignment administrative arrangements to accept any capacity that is allocated/released from Union Gas. • The direct purchase customer will effectively pay the same toll that has been contracted by Union Gas for each applicable transportation capacity arrangement for the term of the contract. • At the expiry of the underlying transport contract which is allocated, the direct purchase customer's obligation to deliver will remain at their Union Gas obligated DCQ delivery point. Any upstream transportation arrangements required beyond the original term of the allocated capacity are the responsibility of the direct purchase customer, unless otherwise mutually agreed upon. • Any direct purchase customer with a DCQ less than 300 GJ/day will be treated in accordance with the "Daily 	
Supersedes: December 2006 Version	Page 1 of 2

Procedures

1. The vertical slice allocation percentages will be established by August 31st based on the projected portfolio effective November 1st of each year.
2. Union Gas will calculate or recalculate DCQ based on the “Setting New, and Increasing or Decreasing Existing, Obligated Daily Contract Quantity (DCQ) - Union Gas South” (Policy #05-DP-DCQS-009).
3. Unless the customer's total DCQ is less than 300 GJ (see related Policy # 03-DP-VS-003), all end-use locations transferring from sales service to direct purchase will be allocated/assigned the capacity underlying the vertical slice in effect on the effective date of the contract or contract amendment.
4. The allocation will be reflected on the Contract Parameter Report and in the DCQ section of Schedule 1 to the direct purchase contract.
5. For Canadian pipelines underlying the vertical slice allocation:
 - a. Union initials and signs the documentation
 - b. Union faxes the Alliance documentation directly to Alliance Pipelines
 - c. Union issues (via fax) Vector Pipelines documentation to the customer for signature
 - d. Customer returns the signed Vector documentation via fax
 - e. Union faxes the Vector documentation to Vector Pipelines (before the last business day of the month before flow)
 - f. For the TCPL component of the vertical slice, customers are allocated Western capacity. No additional documentation is required.
6. For U.S. pipelines underlying the vertical slice allocation:
 - a. Union Gas will post the vertical slice quantities and will create a pre-arranged bid for the direct purchase customer at maximum toll
 - b. Customer will acknowledge, or give Union Gas authority to acknowledge on their behalf, the pre-arranged bid and the capacity will be automatically awarded at the maximum toll
7. The customer will nominate supply per the nomination 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 will confirm/schedule the nomination as outlined in the contract.
9. Gas will arrive as nominated and will be reflected in the Banked Gas Account through the “receipts” column of the DP status report for a bundled-t customer or the storage account for a T1, T3 or unbundled customer.
10. An invoice will be issued by the pipeline companies to the customer for the capacity released to them at the maximum tolls, where applicable. A refund will be provided to the customer by Union Gas on their invoice, for the difference between the maximum toll and Union Gas's negotiated price, where applicable, in the month following the month gas flows.
11. Customers wanting to change their vertical slice allocation may attempt to do so through the clearinghouse (Policy # 06-DP-VS-005).