

## POLICIES & GUIDELINES

Policy #: 05-DP-DCQS-009

North  South  North and South

<b>Subject:</b> Setting new, and increasing or decreasing existing, Daily Contract Quantity (DCQ) - Union South	<b>Effective:</b> November 1, 2017
<b>Applies to:</b> All new or existing Bundled-T (BT), T-Service (T1/T2/T3) and Unbundled (U2) Direct Purchase customers in Union South who are not eligible for Firm Billing Contract Demand.	
<b>Purpose:</b> This policy ensures equitable treatment for setting and changing (either increases or decreases) a customer's Daily Contract Quantity (DCQ).	
<b>Background:</b> <i>(Not to limit the applicability of the policy)</i> <p>Union Gas's system is designed based on Firm deliveries arriving at specified Receipt Points. Maintaining deliveries at these Receipt Points is integral to managing costs and ensuring system integrity and reliability.</p> <p>A customer's move from Sales Service to Direct Purchase is facilitated by a Receipt Point allocation reflective of Union Gas upstream transportation portfolio at the time. The customer is Obligated to deliver at those Receipt Points.</p> <p>The Direct Purchase contract identifies the DCQ for the term of the contract. This policy addresses situations where:</p> <ul style="list-style-type: none"><li>• a new End-Use Location requires an initial DCQ to be set; or,</li><li>• a change in DCQ for an existing contract is requested by the contract holder or their agent; or,</li><li>• a change in an existing DCQ is required at the time of contract renewal or contract amendment.</li></ul> <p>The EB-2013-0365 Settlement Agreement and OEB decision sets out a framework to transition customers' Parkway delivery obligations to Dawn when Union has the capacity to facilitate such a transition. In addition, the framework includes a Parkway Delivery Commitment Incentive ("PDCI") payment starting November 2016 to those customers that still have a Parkway delivery obligation. Voluntary incremental deliveries by customers at Parkway, rather than delivered pursuant to a Parkway delivery obligation required by Union, will not attract the PDCI.</p> <p><b>Definitions</b></p> <ul style="list-style-type: none"><li>• End-Use Location<ul style="list-style-type: none"><li>○ The metered point(s) associated with any contract.</li></ul></li><li>• West of Dawn<ul style="list-style-type: none"><li>○ Customer's End-Use Locations are served by Union Gas via the Dawn to Ojibway system and/or the Sarnia Industrial system.</li></ul></li><li>• East of Dawn<ul style="list-style-type: none"><li>○ Customer's End-Use Locations are served by Union Gas via the Dawn to Parkway transmission system.</li></ul></li><li>• Parkway Call<ul style="list-style-type: none"><li>○ Union Gas has the right to require U2 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 U2 customer has no obligation to deliver any quantities to Parkway on any day. Nominations to a secondary receipt point are interruptible.</li></ul></li></ul>	

- New End-Use Location
  - An End-Use Location that has not had an active connection to the Union Gas Distribution system in the last three years
- Telemetered End-Use Location
  - An End-Use Location that has electronic metering that periodically (e.g. hourly, daily, weekly or monthly) sends measurement data to Union Gas.
- Non-telemetered End-Use Location
  - An End-Use Location that does not have electronic metering and for which the metered data is physically collected by Union Gas.

Unless otherwise outlined above, all defined terms within this policy are as per the General Terms & Conditions of the relevant Service.

**Policy:**

Union Gas sets the Receipt Point allocations on a pro-rata basis to reflect the Union Gas upstream transportation capacity portfolio.

When initiating a contract, the DCQ is 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, T2 and T3 contracts is Obligated. For T2 customers who contract for the Customer Managed Service option, the DCQ at Parkway is Obligated. The DCQ for Unbundled contracts is not Obligated but subject to a Parkway Call when requested by Union Gas.

A minimum DCQ of 4 GJ/day is required for a contract. If the calculated DCQ at initiation or renewal/amendment falls below 4 GJ/day then the contract DCQ is set at the contract minimum. In a multiple Receipt Point scenario, if the DCQ allocation results in a Receipt Point with less than 4 GJ/day, that Receipt Point's allocation is reduced to zero and another Receipt Point's allocation is increased by a like amount.

DCQ (GJ/day) is equal to 12 months historical and/or forecasted volumetric consumption (firm plus interruptible) at the End Use Locations underlying the Direct Purchase contract / 365 days \* Average Heat Value. 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.

For T2 customers contracting for the Customer Managed Service the maximum amount of non-obligated deliveries at Dawn on any given day is calculated as 'Firm CD plus the Interruptible CD less the customers' Parkway Obligation.

Under this policy, customers may receive changes to the allocation of DCQ at more than one Receipt Point. Customers that receive a "split" of DCQ between Parkway and Dawn have an option to accept the allocation "split" or they may elect to have 100% of their DCQ at Parkway.

**Allocating the DCQ between Receipt Points**

When setting the DCQ on a new Direct Purchase contract, or increasing the DCQ on an existing Direct Purchase contract, End-Use Locations transferring from Union Gas Sales Service to Direct Purchase (enroll) will receive the Receipt Point allocation in effect at the time of the transfer.

When setting the DCQ on a new Direct Purchase contract, or increasing the DCQ on an existing Direct Purchase contract, End-Use Locations transferring from an existing Direct Purchase contract to another Direct Purchase contract (switch, transfer, move) will bring a pro-rata allocation of the Receipt Points used to serve them on the originating contract, unless otherwise agreed to by the two contracting parties. End-Use Locations transferring from an existing Direct Purchase contract to Union Gas Sales Service will bring a pro-rata allocation of the Receipt Points used to serve them on the originating contract.

<b>Increasing the DCQ</b>	
<p>Non-telemetered General Service End-Use Locations served under Rate M1 or M2 or U2</p> <p>Telemetered General Service (M2) and Contract End-Use Locations served under rates: M4, M5, M7, M9, T1, T2, or T3, with new consumption</p>	<ul style="list-style-type: none"> <li>• Any DCQ increases due to consumption will occur at the Parkway Receipt Point.</li> <li>• New End-Use Locations, not previously served by Union Gas's Sales Service, and increases in DCQ due to consumption are allocated: <ul style="list-style-type: none"> <li>○ If End Use Location(s) are <b>East of Dawn</b>, the increase occurs at the Parkway Receipt Point.</li> <li>○ If End Use Location(s) are <b>West of Dawn</b>, the increase occurs at the Dawn or Parkway Receipt Point at the customer's option.</li> <li>○ If End Use Location(s) are <b>East and West of Dawn</b>, a review is completed at the account level to determine which account has increased and the policy is applied appropriately as above.</li> </ul> </li> </ul>
<b>Decreasing the DCQ</b>	
<p>Non-telemetered General Service End-Use Locations served under Rate M1 or M2 or U2</p> <p>Telemetered General Service (M2) and Contract End-Use Locations served under rates: M4, M5, M7, M9, T1, T2, or T3</p>	<ul style="list-style-type: none"> <li>• All DCQ decreases are managed by prorating the decrease over the Points of Receipt.</li> <li>• DCQ decreases are managed by decreasing Points of Receipt as follows: <ul style="list-style-type: none"> <li>○ If End Use Location(s) are <b>East of Dawn</b>, the decrease occurs at the Parkway Receipt Point.</li> <li>○ If End Use Location(s) are <b>West of Dawn</b>, the decrease occurs at the Dawn Receipt Point.</li> <li>○ If End Use Location(s) are <b>East and West of Dawn</b>, a review is completed at the account level to determine which account has decreased and the policy is applied appropriately as above.</li> </ul> </li> </ul>
<b>Procedures</b>	
<ol style="list-style-type: none"> <li>1) Union Gas calculates or recalculates DCQ under the following circumstances: <ol style="list-style-type: none"> <li>a. Upon contract renewal, or</li> <li>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.</li> </ol> </li> <li>2) For Direct Purchase contracts comprised primarily of Telemetered General Service and Contract End-Use Locations, the DCQ calculation at contract renewal is based on information available approximately 80 days prior to contract renewal.</li> </ol>	

- a. For Direct Purchase contracts where an alternative forecast of consumption is not expected to be provided at renewal:
  - i. Union Gas issues a contract amendment and a Contract Parameters Report summarizing forecast consumption, changes in DCQ, and corresponding changes in Receipt Point allocation consistent with the above policy approximately 60 days prior to the contract's renewal date.
- b. For Direct Purchase contracts where an alternate forecast of consumption is expected to be provided at renewal:
  - i. Union Gas issues a Contract Parameters Report summarizing forecast consumption, changes in DCQ, and corresponding changes in Receipt Point allocation consistent with the above policy approximately 66 days prior to the contract's renewal date.
  - ii. Customer may propose and Union Gas may accept an alternative forecast (with a resulting change in DCQ) provided the contract holder provides a justification acceptable to Union Gas for the increase or decrease - a forecast of expected consumption to support the requested 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.
  - iii. If Customer's consumption is predominately in a single season, Union Gas will consider a seasonal DCQ where mutually agreed upon.
  - iv. Customer signs back the Contract Parameters Report approximately 54 days prior to the contract's renewal date.
  - v. Union Gas issues a final Contract Parameters Report and contract amendment (reflecting DCQ changes consistent with the above policy, and the resulting balancing requirements) approximately 35 days before the effective date of the amendment.
- c. For Direct Purchase contracts that are in a vendor's name, are comprised primarily of cycle read accounts, with additions/deletions of End-Use Locations during the term of the contract, and where no alternative forecast is provided:
  - i. The DCQ calculation at contract amendment/renewal is based on information available approximately 44 days prior to the effective date of the change.
  - ii. Union Gas issues a contract renewal/amendment and a Contract Parameters Report summarizing forecast consumption, changes in DCQ, and corresponding changes in Receipt Point Allocation consistent with the above policy approximately 35 days prior to the contract's renewal date.

When a new contract for a new customer is initiated, the customer will provide a forecast of consumption and the procedural steps found in 2) b. will apply.

- 3) Customer electronically accepts, or signs and returns, the contract renewal/amendment to Union Gas at least 25 days before the effective date of the amendment.
- 4) Union Gas electronically accepts, or signs and returns, a copy of the contract renewal/amendment to the customer approximately 1 week after receiving the renewal/amendment from customer.
- 5) Customer nominates deliveries to Union Gas reflecting the above contract renewal/amendment.