POLICIES & GUIDELINES

Policy #: 09-DP-STOR-017

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Subject:	**Effective**:
Cost-Based Storage Space and Deliverability Allocation Methodology – Union South	November 1, 2017

Applies to:

Semi-Unbundled and Unbundled Customers in Union South.

Purpose:

To define the amount of cost based storage space and storage deliverability (injections and withdrawals) a T1, T2, or T3 customer may receive from Union Gas ("Union").

Background: *(Not to limit the applicability of the policy)*

In its Storage Allocation decision released April 2008 (EB-2007-0725) the Ontario Energy Board (the "Board") states:

- On page 44 of the decision, storage allocations are designed to accommodate a customer's "reasonable needs" which are governed by:
  - The requirement to balance flat daily obligated deliveries with varying customer consumption and
  - An equivalency between storage services that underpin bundled and semi-unbundled service
- On page 16 of the decision, the Board concludes that an expectation that T1 and T3 customers will actively manage their storage positions is an appropriate component of the determination of "reasonable needs."

<u>Storage Space</u>

Traditionally, storage space allocations to Union's customers have been determined using the aggregate excess method. This method is consistent with the approach used by Union to calculate the seasonal storage requirements of Union's bundled customer base. This requirement can be described as the difference between total winter consumption (November 1 through March 31) and a customer's average daily consumption over the year multiplied by 151 days of winter. The formula can be expressed:

Aggregate Excess = Total Winter Consumption – [(151/365)*(Total Annual Consumption)]

The storage space allocation for unbundled general service (U2) customers is determined using a fixed quantity per residential customer or a percentage of annual consumption for commercial and industrial customers. These quantities and percentages are determined each year based on Union's annual demand forecast and are consistent with the above-noted Aggregate Excess methodology.

In the above noted decision, the Board approved the use of the Aggregate Excess methodology and an alternate methodology (i.e. 15 x obligated DCQ). This new methodology is more appropriate for meeting the needs of customers with non-seasonal, process-driven loads.

Customers with a fully obligated DCQ may choose between the above two methodologies.

In the EB-2016-0245 Decision, the Board approved a third methodology, effective November 1, 2017, for T2 customers that choose the Customer Managed Service (a service that provides them the ability to deliver gas supply to more closely match daily plant consumption). Under this service, while the <u>DCQ at Parkway is Obligated</u>, there is no DCQ at Dawn. The storage space allocation for these customers is determined by multiplying the customer's Firm CD for the upcoming contract year by 9. These customers also receive an allocation of storage space for a Daily Consumption Variance Account equal to the Firm CD.

Storage is reallocated annually.

Further, customers may contract for less than the amounts determined under the methodologies. Additional storage space, in excess of the allocated entitlements above, may be available at market prices.

Storage Deliverability

In the above noted Storage Allocation decision, the Board concluded that the maximum level of deliverability (i.e. injections & withdrawals) available to T1 & T3 customers at cost-based rates should equal the greater of obligated DCQ or firm CD - obligated DCQ. This cost based entitlement may be contracted using any combination of firm injections and withdrawals, interruptible withdrawals or incremental firm injections. For information related to interruptible services and their priority see the following link. (Policy #07-CM-POS-015)

In the above noted Customer Managed Service Storage Allocation the maximum level of deliverability (i.e. injections and withdrawals) available to T2 customers at cost based rates is fixed at 1.2% of the contracted storage space. Daily Consumption Variance Account injections and withdrawals are interruptible up to the total amount of available space for injections or available gas for withdrawals.

Customers are able to contract for less than the amounts determined above. Additional deliverability, in excess of the allocated entitlements above, may be available at market prices.

Policy:

Annual Firm Storage Space

U2 (Unbundled) Service – available to General Service Rates M1 and M2 customers only	The allocation of storage space (Standard Storage Service ("SSS")) to customers electing the U2 unbundled service option reflects the Board approved Aggregate Excess methodology applied as follows: • From the total bundled aggregate excess storage space allocated to General Service rate classes, Union will allocate a fixed amount of storage space per M1 residential customer. • The amount of storage space an M1 or M2 commercial/industrial customer receives will be determined as a fixed percentage of their annual consumption. • For Standard Peaking Service ("SPS") Union will allocate high deliverability storage (SPS) based on a fixed percent of the customer's allocated SSS space. • SSS space allocation and SPS space allocation will be reallocated annually. • Should a customer or an Agent acting on behalf of an end-use customer elect less that 100% of their cost based storage space allocation entitlement this will represent a permanent election and the customer or their Agent will no longer be able to access this capacity at cost based rates in the future. • If all accounts on a U2 contract return to Union Gas's sales service the storage previously allocated will be returned to Union.

T1/T2/T3 (Semi-Unbundled)	Customers receiving these services have the option of electing the storage space allocation method which best serves their needs. The allocation methods available are: <u>Aggregate Excess Methodology</u> Aggregate Excess = Total Winter Consumption – [(151/365)*(Total Annual Consumption)] Existing customers: • Using the most recent twenty-four months historical consumption data to calculate two 12 month historical aggregate excess allocation amounts of storage space, with 25% weighting for each year, plus • Using one year of forecasted consumption to calculate a forecasted aggregate excess allocation amount for storage space with a 50% weighting. New customers or customers who do not have sufficient historical consumption data or customers forecasting a significant change in operation: • Union will work with the customer to determine a reasonable forecast for use in calculating the storage allocation. In following years, once historical consumption information is available, the approach described above will be followed. <u>15X DCQ Methodology</u> • The 15 x obligated DCQ calculation will apply the DCQ calculated for the upcoming contract year. Under either methodology, the calculations will be performed and incorporated into the contract at each contract renewal date. Customers may contract for less storage space than the amounts determined above. <u>Customer Managed Service Allocation Methodology</u> • The Firm CD (as contracted for the upcoming contract year) times 10 is separated into 2 different components: 1) Firm CD times 9 is used for annual firm storage space and 2) Firm CD times 1 is used for the Daily Variance Account firm space.
New large T2 (Semi-Unbundled)– daily firm transportation demand requirements in excess of 1,200,000 m^3/day	Customers receiving these services have the storage space allocation calculated as follows: • Peak hourly consumption x 24 hours x 4 days, unless customer elects firm deliverability less than maximum entitlement. • If customer elects less than the maximum deliverability entitlement, the maximum cost based storage space entitlement is 10 x firm storage deliverability contracted (but not to exceed peak hourly consumption x 24 hours x 4 days). Customers may contract for less than their maximum entitlement of firm storage space.

Annual Firm Storage Deliverability

U2 (Unbundled) Service	• SSS daily injection entitlement is calculated as 0.75% of the contracted storage space allocation and SSS withdrawal entitlement is calculated as 1.2% of the contracted storage space allocation. • SPS daily injection and withdrawal entitlements are calculated as 10% of the SPS storage balance subject conditions outlined in contract. • Quantities available on a daily basis change based on the customer's storage inventory levels changes (for SSS and SPS) and weather (for SPS).
T1/T2/T3 (Semi-Unbundled) Service	• The maximum deliverability available to a customer is the greater of: ▪ Obligated DCQ; or ▪ Firm CD less Obligated DCQ ▪ For customers opting for the Customer Managed Service the maximum deliverability available is 1.2%. • A customer may contract up to the maximum deliverability entitlement using a combination of firm injections and withdrawals, interruptible withdrawals or incremental firm injections as specified in Section (C) Storage Service on the rate schedule. • Customers may contract for less than their maximum entitlement of firm deliverability. • There is no assurance by Union that storage deliverability will be available on peak days if a customer does not contract for firm storage deliverability and chooses instead to rely on interruptible storage deliverability. (Policy #07-CM-POS-015)
New large T2 (Semi-Unbundled) - daily firm transportation demand requirements in excess of 1,200,000 m^3/day	• The maximum entitlement of firm storage deliverability is 24 x the customer's peak hourly consumption.

Procedures

1) For T1, T2, and T3 contracts, the calculations for storage parameters is based on information available approximately 80 days prior to contract renewal. For U2 contracts, the calculations for storage parameters is based on information available approximately 45 days prior to contract renewal to reflect end-use locations added or deleted to the contract pursuant to the Gas Distribution Access Rule Electronic Business Transactions Standard. In addition:
   a. Union Gas prepares and provides storage allocations summarizing forecast consumption, Contract Demand (where applicable) and obligated DCQ (per Policy #05-DP-DCQS-009) consistent with the above policy approximately 70 days prior to the contract's renewal date. T1, T2 and T3 customers are allocated quantities under the applicable methodologies.
   b. Customer may propose and Union Gas may accept an alternative forecast (with a resulting change in contract parameters) provided the contract holder provides justification acceptable to Union Gas for the alternate forecast - a forecast of expected consumption to support the requested contract parameters must be provided no later than 54 days before the contract's renewal date. Requests received after this date are offered on a reasonable efforts basis.

c. T1, T2 and T3 customers to inform Union Gas of the methodology they have selected for the determination of storage parameters approximately 54 days prior to the contract's renewal date.

2) Union Gas to issue a contract renewal reflecting storage parameter changes consistent with the above policy (along with all other contract parameter changes) approximately 35 days before the effective date of the renewal for customer signature.

3) Customer to sign and return the contract renewal to Union Gas at least 25 days before the effective date of the amendment.

4) Union Gas to sign the contract renewal and provide a copy to the customer approximately 1 week after receiving the signed amendment from customer.