

POLICIES & GUIDELINES

Policy #: 07-CM-POS-015

Subject: Priority of Service (POS) Guidelines	Effective: December 7, 2007
Applies to: Applied on a daily basis to services for both in-franchise and ex-franchise customers in Union Gas' Southern, and Northern and Eastern Operations area.	
Purpose: To prioritize scheduling reductions and service restrictions for Union's services during periods when Union's ability to flow interruptible gas quantities is less than the requested/forecasted quantities.	
Background: <i>(Not to limit the applicability of the policy)</i> Union offers firm no-notice (allocated) services, firm nominated services and interruptible services. The priority of service listings provide information regarding the processing of interruptions or scheduling reductions when requested services exceed available capacity under normal operating conditions. Firm no-notice services are not interruptible. Firm nominated services are only firm if requested on the North American Energy Standard Board (NAESB) Timely Nomination Cycle for the gas day in question. Nominations for increases to daily quantities for Firm Services after the NAESB Timely Nomination Cycle are treated the same as interruptible services. Because Union is a non-bumping pipeline, interruptible services scheduled on the NAESB Timely Nomination Cycle will not be interrupted to make room for additional firm services nominated on later nomination cycles. In order to place services on the priority of service list, Union considered several business principles. The principles included: appropriate level of access to core services; customer commitment; encouraging appropriate contracting; materiality; price and term; and promoting and enabling in-franchise consumption.	
Policy: The priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted. <u>Priority for STORAGE Services</u> <ol style="list-style-type: none">1. Firm In-franchise Storage and Distribution services and firm Ex-Franchise services⁽¹⁾2. In-franchise Interruptible Distribution storage services3. Peak Storage above firm up to 5% maximum storage balance (MSB) ⁽²⁾4. Balancing (Hub Activity) \leq 100 GJ/d; Balancing (Direct Purchase) \leq 500 GJ/d ⁽³⁾5. Off Peak Storage (First Cycle) up to 5%; Long Term Storage up to 5% MSB ⁽²⁾6. Peak Storage and Off Peak (First Cycle) above 5% MSB & Loans; In-franchise storage authorized overrun7. Peak Storage and Off Peak (Second Cycle); Long Term Storage above 5% MSB8. Balancing (Direct Purchase) $>$ 500 GJ/d9. Balancing (Hub Activity) $>$ 100 GJ/d10. Late Nominations <u>Priority for TRANSPORT Services</u>	

Supersedes:

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1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services⁽¹⁾
2. In-franchise Interruptible Distribution services
3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
4. Balancing (Hub Activity) ≤ 100 GJ/d; Balancing (Direct Purchase) ≤ 500 GJ/d; In-franchise distribution authorized overrun⁽³⁾
5. C1/M12 IT Transport and IT Exchanges at premium rates
6. C1/M12 Overrun $\leq 20\%$ of CD⁽⁴⁾
7. Balancing (Direct Purchase) > 500 GJ/d
8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
9. C1/M12 Overrun $> 20\%$ of CD
10. C1/M12 IT Transport and IT Exchanges at a discount
11. Late Nominations

Notes:

(1) Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be a late nomination and are therefore interruptible.

(2) Higher value or more reliable IT is contemplated in the service and contract, when purchased at market competitive prices.

(3) Captures the majority of customers that use Direct Purchase balancing transactions.

(4) Captures the majority of customers that use overrun.

Procedures

1. Union Gas will use its daily gas scheduling process to forecast the impact of firm and interruptible and/or discretionary customer activities on its storage, transmission and distribution operations.
2. Customer requested and/or forecasted quantities are compared to Union Gas' operational limitations to determine if scheduling reductions and/or service restrictions are required. Any constraints are identified in advance of the effective flow time.
3. The Priority of Service list applicable to the operational constraint is used to make reductions to the customer's requested and/or forecasted quantities to a level sufficient to alleviate the constraint. Pro-rata reductions are performed within each priority ranking when necessary.
4. Customers are notified of an operational constraint and the corresponding impact on their requested and/or forecasted activities. All notifications occur in advance of the effective flow time.
5. Customer must re-nominate, as necessary, to balance any scheduling reductions and/or service restrictions.
6. As interruptions of specific services have ended the processing of authorized transactions will resume. The customer will be notified by phone and/or Unionline that their authorization will resume.