

POLICIES & GUIDELINES

Policy #: 10-DP-DCQS-009

North South North and South

Subject:

Setting new, and increasing or decreasing existing Daily Contract Quantity (DCQ) for customers that are eligible to choose the Firm Billing Contract Demand (FBCD).

Effective:

April 1, 2016

Applies to:

All new or existing Rate T2 Direct purchase customers that are eligible to choose the FBCD by having new or incremental loads greater than 1,200,000 m³/day and that are directly connected to: i) the Dawn-Parkway transmission system in close proximity to Parkway; or ii) a third party pipeline.

Purpose:

This policy ensures equitable treatment for setting new, and increasing or decreasing existing DCQ for customers eligible to choose Firm Billing Contract Demand (FBCD).

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

Union Gas's system is designed based on Firm deliveries arriving at specified Receipt Points on the system. Maintaining deliveries at these Receipt Points is integral to managing costs and ensuring system integrity and reliability.

The Firm Operational Contract Demand (FOCD) is the maximum Firm daily requirement of the End-Use Location (i.e. # of hours x Firm Hourly Quantity). This has traditionally been used for the billing of demand charges.

The FBCD is a billing parameter determined by Union in order to recover Union's facility and ongoing costs to serve the End-Use Location over the Contract term. The FBCD is a response to the competitive pressure of physical by-pass. Customers are eligible for FBCD if new or incremental loads are greater than 1,200,000 m³/day and are directly connected to: i) the Dawn to Parkway transmission system in close proximity to Parkway; or ii) a third party pipeline. Customers who do not meet the criteria are not eligible for the FBCD option.

Pursuant to the Natural Gas Electricity Interface Review (NGEIR) Decision (EB-2005-0551), the FBCD is provided, at the customer's option and subject to Union's approval, as an alternative for the billing of demand charges. The customer's actual daily Firm consumption requirement is equal to 100% of the FOCD. Daily consumption volumes that fall between the FBCD parameter and the FOCD parameter are Firm, and are invoiced at the Rate T2 Firm transportation Authorized Overrun Rate.

Parkway Delivery Obligation (PDO)

A number of Direct purchase ("DP") customers are Obligated to deliver their DCQ to Parkway, at their own expense, in order for Union to more efficiently operate its system. As a consequence, DP customers with a PDO are conferring a benefit on all users of the Dawn-Parkway transmission system because its size and capacity are less than would otherwise be required.

As per the [EB-2013-0365](#) Settlement Agreement and OEB decision, the PDO permanently transitions to Dawn as opportunities arise. This agreement lays out a framework for the transition, including a Parkway Delivery Commitment Incentive ("PDCI") payment, to those customers that still have a PDO starting November 2016.

As per the EB-2013-0365 Settlement Agreement, Parties acknowledge that Rate M12 turnback opportunities are available to FBCD customers in the same proportion as those made available to DP customers with PDO's.

The DP Contract identifies the DCQ for the Contract term. This policy addresses situations where:

- A new End-Use Location requires an initial DCQ to be set; or
- A change in DCQ for an existing Contract is requested by the Contract holder or their Agent; or
- A change in an existing DCQ is required at the time of Contract renewal or Contract amendment.

Definitions

- End-Use Location
 - The metered point(s) associated with any Contract.

- West of Dawn
 - Customer's End-Use Locations are served by Union Gas via the Dawn to Ojibway system and/or the Sarnia Industrial system.

- East of Dawn
 - Customer's End-Use Locations are served by Union Gas via the Dawn to Parkway transmission system.

- 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 (3) years.

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

Policy:

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 increase or decrease to reflect the historical and/or forecasted consumption for the Contract term.

Setting the DCQ for new Contract customers served under Rate T2 with new incremental consumption > 1,200,000 m³/day.

New Rate T2 customers located East of Dawn

- a. Who are eligible and have chosen a FBCD:
 - i) Require Obligated Ontario Deliveries at Parkway equal to 100% of their FOCD; **OR**
 - ii) Must Contract for Rate M12 Dawn to Parkway transportation equal to 100% of their FOCD and assign such to Union which allows the customer to Contract for Non-Obligated Ontario deliveries at Dawn; **OR**
 - iii) Any combination of options a.(i) or a.(ii) above that sum to 100% of their FOCD.

- b. Who have not chosen the FBCD option:
 - i) Require Obligated Ontario Deliveries at Parkway equal to at least 80% of their FOCD; **OR**
 - ii) Must Contract for Rate M12 Dawn to Parkway transportation equal to at least 80% of their FOCD and assign such to Union which allows the customer to Contract for Non-Obligated Ontario deliveries at Dawn; **OR**
 - iii) Any combination of options b.(i) or b.(ii) above that sum to at least 80% of their FOCD.

New Rate T2 customers located West of Dawn

- i) Option to Contract for Non-Obligated DCQ requirement at Dawn contingent on Union's facilities. Otherwise the DCQ is an Obligated DCQ or a combination of Non-Obligated and Obligated DCQ.

Increase to DCQ for existing

Contract customers served under Rate T2 with a Firm Transportation Demand > 1,200,000 m³/day.

Rate T2 customers located **East of Dawn**

- a. Who are eligible and have chosen a FBCD:
 - i) The increase is managed through additional Obligated Ontario Deliveries at Parkway equal to 100% of their revised FOCD; **OR**
 - ii) Must Contract for Rate M12 Dawn to Parkway transportation equal to 100% of their revised FOCD and assign such to Union which allows the customer to Contract for Non-Obligated Ontario deliveries at Dawn; **OR**
 - iii) Any combination of options a.(i) or a.(ii) above that sum to 100% of their revised FOCD.
- b. Who have not chosen the FBCD option:
 - i) The increase is managed through additional Obligated Ontario Deliveries at Parkway equal to at least 80% of their revised FOCD; **OR**
 - ii) Must Contract for M12 Dawn to Parkway transportation equal to at least 80% of their revised FOCD and assign such to Union which allows the customer to Contract for Non-Obligated Ontario deliveries at Dawn; **OR**
 - iii) Any combination of options b.(i) or b.(ii) above that sum to at least 80% of their revised FOCD.

Rate T2 customers located **West of Dawn**

- i) Option to Contract for Non-Obligated DCQ requirement at Dawn contingent on Union's facilities. Otherwise, the DCQ is an Obligated DCQ or a combination of Non-Obligated and Obligated DCQ.

Decrease to Obligated DCQ for existing

Contract customers served under Rate T2 with a Firm Transportation Demand > 1,200,000 m³/day with decreased consumption.

Rate T2 customers located **East of Dawn**

- a. Who are eligible and have chosen a FBCD:
 - i) The decrease is managed through a reduction in Obligated Ontario Deliveries at Parkway equal to 100% of the reduction in their FOCD; **OR**
 - ii) Must Contract for Rate M12 Dawn to Parkway transportation equal to 100% of their revised FOCD and assign the adjusted capacity to Union which allows the customer to Contract for Non-Obligated Ontario deliveries; **OR**
 - iii) Any combination of options a.(i) or a.(ii) above that sum to 100% of their revised FOCD.
- b. Who have not chosen the FBCD option:
 - i) The decrease is managed through a reduction in Obligated Ontario Deliveries at Parkway equal to at least 80% of their revised FOCD; **OR**
 - ii) Must Contract for Rate M12 Dawn to Parkway transportation equal to at least 80% of their revised FOCD and assign the adjusted capacity to Union which allows the customer to Contract for Non-Obligated Ontario deliveries at Dawn; **OR**
 - iii) Any combination of options b.(i) or b.(ii) above that sum to at least 80% of their revised FOCD.

Rate T2 customers located **West of Dawn**

- i) Option to reduce Non-Obligated or Obligated DCQ requirement at Dawn to meet the revised FOCD.

Transition Parkway Obligation to Dawn for Contract customers served under Rate T2 with a Firm Transportation Demand > 1,200,000 m³/day

Union is facilitating a permanent transition of the PDO for customers who elect to change their Obligated delivery point from Parkway to Dawn using Rate M12 Dawn to Kirkwall capacity and other resources. A proportionate share of the aggregate PDO reduction available is allocated to all Parkway Delivery Obligated Direct purchase ("PDO DP") customers eligible for FBCD as follows:

- Customers with PDO's have their proportionate share of the available PDO transferred to Dawn
- Customers holding Rate M12 Dawn to Parkway capacity to satisfy their PDO can elect to turn back the same proportionate share as their PDO.
- FBCD customers who turn back their Rate M12 Dawn to Parkway must increase their FBCD to offset the revenue lost by turning back Rate M12 Dawn to Parkway capacity.

Procedures

- 1) The DCQ is determined as outlined in this policy based on information available approximately eighty (80) days prior to the effective date of the Contract or Contract renewal.
- 2) Where Union is able to transition a portion of PDO to Dawn, Union will solicit customer interest. Union allocates the transition in a method consistent with the EB-2013-0365 Settlement Agreement.
- 3) Customer may propose, and Union Gas may accept, an alternative consumption forecast (with a resulting change in DCQ) provided the Contract holder provides justification acceptable to Union Gas for the change. The forecast of expected consumption to support the requested DCQ must be provided no later than fifty-four (54) days before the Contract's renewal date. Requests received after this date are dealt with on a reasonable efforts basis.
- 4) Union Gas issues a Contract or Contract amendment (reflecting parameters consistent with the above policy, and the resulting balancing requirements) approximately thirty-five (35) days before the effective date of the Contract or Contract amendment for customer signature. If applicable, a Rate M12 Contract for Dawn to Parkway transportation is also issued to customer for signature.
- 5) Customer signs and returns the Contract(s) or Contract amendment(s) to Union Gas at least twenty-five (25) days before the effective date of the amendment.
- 6) Union Gas signs the Contract(s) or Contract amendment(s) and provides a copy to the customer approximately one (1) week after receiving the signed amendment from customer.
- 7) Union Gas prepares and Union Gas/customer signs and executes temporary assignment paperwork for upstream pipelines, as necessary, in accordance with their respective schedules.
- 8) Customer nominates deliveries to Union Gas reflecting the above Contract(s) or Contract amendment(s).