



EB-2010-0155

IN THE MATTER OF the *Ontario Energy Board Act 1998*,
S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas
Limited for approval of its tariffs for its M12 and C1
transportation services;

AND IN THE MATTER OF the Storage and Transportation
Access Rule.

BEFORE: Paul Sommerville
Presiding Member

Paula Conboy
Member

DECISION ON TARIFFS

August 30, 2010

Background

On December 9, 2009, the Ontario Energy Board (the "Board") issued a Notice of Issuance of a New Rule, under section 44(1) of the *Ontario Energy Board Act, 1998* (the "Act"). The new rule, known as the Storage and Transportation Access Rule ("STAR") came into effect on June 16, 2010. All materials related to the STAR are available on the Board's website (EB-2008-0052).

On April 1, 2010, in accordance with sections 2.3.3 and 2.4.3 of the STAR, Union Gas Limited ("Union") filed with the Board an application seeking Board approval of tariffs for its M12, C1 and M16 transportation services to be effective as of June 16, 2010. Union

has proposed revisions to the tariffs for its M12, C1 and M16 transportation services in order for these tariffs to be compliant with the STAR.

Section 2.3.3 of the STAR applies to a transmitter that provides transportation services for a shipper while section 2.4.3 applies to a transmitter that provides transportation services for an embedded storage provider. Sections 2.3.3 and 2.4.3 of the STAR read as follows:

2.3.3 A transmitter shall include in its tariff the terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.

2.4.3 A transmitter shall include in its tariff the standard terms of service for each of its transportation services. The tariff shall be filed with the Board for approval and the approved tariff shall be posted on the transmitter's website.

The Board issued a Notice of Application and Procedural Order No. 1 on April 9, 2010, which allowed registered participants in the development of the STAR (EB-2008-0052) and all shippers taking M12, C1 or M16 transportation service from Union to file submissions on Union's application. The Board decided to proceed by way of a written proceeding.

On April 27, 2010, the Board issued Procedural Order No. 2. In its application, Union expressed concern that there would be a two week period when it would not have Board-approved M12, C1 and M16 transportation contracts for potential shippers and/or storage providers. The Board decided to extend the implementation date for sections 2.3.3 and 2.4.3 to July 1, 2010 to coincide with the issuance of the Quarterly Rate Adjustment Mechanism ("QRAM") Rate Order.

On June 3, 2010, the Board issued a Decision (the "STAR Decision") approving Union's M16 tariff. With regard to C1 and M12 tariffs the Board directed Union to make changes as follows:

Allocation of Capacity - Section XVI

- The Board required Union to clearly define its transmitter-specific allocation methods in its M12 and C1 transportation tariffs. The definitions should include the rules that will be applied to the allocation of capacity using these methods.
- The Board directed that the phrase “but not limited to” in section XVI.5 be deleted from the M12 and C1 tariffs.
- The Board required Union to define “long-term firm transportation” in its tariffs for M12 and C1 transportation services.

Service Curtailment - Section XVIII

- The Board noted that the wording “in *Union’s sole discretion*, capacity or operating conditions” is not in the existing contracts for Union’s M12 and C1 transportation services but may be implied in Union’s Priority of Service Policy on its website. The Board required that Union should include the phrase “acting reasonably” in section XVIII.1. The sentence therefore should read “.... or when, in Union’s sole discretion, *acting reasonably*, capacity or operating conditions so require ...”.
- The Board directed that the full Priority of Service policy, namely the 11 categories of service, should be listed in Union’s M12 and C1 tariffs.

Renewal Rights – Section XVII in the C1 Tariff

- The Board required Union to modify the language in its proposed C1 Tariff. Specifically, section XVII dealing with C1 transportation should include the contracts that contain a receipt point at Parkway and a delivery point at Kirkwall in the list of contracts with renewal rights.

On June 14, 2010, the Board issued Procedural Order No. 3 requiring Union to file changes to the proposed C1 and M12 tariffs, as directed by the STAR Decision.

On July 9, 2010, Union filed its proposed changes to its M12 and C1 tariffs.

Positions of Parties

On July 23, 2010, the Board received written submissions from Canadian Manufacturers & Exporters (“CME”); Industrial Gas Users Association (“IGUA”); and Board staff (“Staff”).

CME supported the changes to the proposed M12 and C1 tariffs requested by Union.

On July 30, 2010, the Board received Union’s Reply. Union argued that the proposed M12 and C1 transportation service tariffs as filed with the Board on July 9, 2010 meet the requirements of the STAR.

Below, the Board will address the respective positions of the parties with respect to the Allocation of Capacity - section XVI of the tariffs proposed by Union. Excerpts of section XVI of the M12 and C1 tariffs respectively as proposed by Union may be found in Appendix A. All of the comments were directed to these sections of the respective tariffs.

Allocation of Capacity - Sections XVI (1) and XVI (4) in the M12 and C1 Tariffs

Staff submitted that Union should clearly define the terms “proposed payment” and “proposed per-unit rate” in its tariffs. Also, staff proposed as part of this definition that Union should explain whether these terms mean that Union may accept a premium or a discount on the regulated firm transportation rate.

In Reply, Union clarified that the “proposed per unit rate” referenced in section XVI (4) is potentially a different rate than the “proposed payment” in the customer’s request outlined in section XVI (1). Union indicated that a customer’s “proposed payment” may not always meet the requirements of Union’s regulated rate schedule or be in consistent units to allow a meaningful net present value (NPV) comparison (e.g., Cdn \$/GJ/month).

Union noted in its Reply that under the Board approved Settlement Agreement in its 2007 rate case (EB-2005-0520), any premium offered would not be used as a factor to allocate firm transportation capacity greater than one year, and that for the purposes of the NPV calculations, the proposed per unit rate will be the regulated rate. Union also commented that neither the M12 or C1 rate schedules allow Union to accept a discount rate.

Board Findings

The Board is satisfied with Union's clarification with respect to the terms "proposed payment" and "proposed per unit rate".

Allocation of Capacity - Section XVI (5) (c) in the M12 and C1 Tariffs

Staff submitted that the "offer to supply the Available Capacity to the potential shipper" provision is currently included in the sub-section that sets out the reasons for Union to reject an offer. For clarity, Staff proposed that this provision should be set out in a separate sub-section that comes before XVI (5) (c) i) and after (5) (b) i).

Union, in its Reply, argued that this provision is placed in the list of reasons for rejecting a request for service because "insufficient capacity" is one of several possible reasons for rejecting a request for service. Also, Union disagreed with staff's suggestion of a separate section because there may be other reasons why Union cannot offer the service (even if there is sufficient capacity) such as the reasons listed in sub-sections XVI (5)(c) ii) to iv).

Board Findings

The Board accepts Union's tariffs as filed in this regard, and will not require any modifications.

Allocation of Capacity - Section XVI (5) (c) iii) in the M12 and C1 Tariffs

Staff submitted that Union should provide clarification on the process and the length of time it takes Union to accept a request for long-term firm transportation services and short-term firm transportation services. Staff also sought clarification as to why the allocation of available capacity (not in an open season) is triggered when the requests are accepted and not when the requests are received.

In Reply, Union indicated that due to the complexity of its services as well as other market activities happening at the time of the request, Union cannot outline the process or length of time for accepting requests. However, Union stated that it is mindful of the requirement for a timely response to requests for service and acknowledged that it is prudent to respond to all requests for service in a prompt manner.

Board Findings

The Board is concerned with the lack of specificity with respect to the length of time it takes Union to process and accept a customer's request for transportation services. This uncertainty with respect to Union's acceptance process may lead to the potential for Union to treat shippers differently or to appear to do so. The Board believes that this uncertainty does not meet the STAR requirement of ensuring that the allocation of capacity is consistent, predictable and transparent.

Union commented that it cannot outline the process or length of time for accepting a request because of the complexities of its services. However, the Board notes that the STAR requires Union to post on its website "Operationally-Available Transportation Capacity" at each nomination cycle. Also, the STAR requires Union to have a standard transportation contract for each of its transportation services. STAR also requires that all transportation contracts containing negotiated variations from the standard form of contract and/or standard terms of service must be posted on Union's website. At this time, no negotiated contracts have been posted. Therefore, the Board concludes that available capacity for Union's transportation services are known and that a standard contract is available for Union's transportation services.

The Board is of the view that to ensure non-discriminatory access, customer requests for transportation services must be accepted on a timely basis. Therefore, the Board finds that Union will be allowed up to five (5) calendar days to process and accept a customer's request for transportation services.

The Board finds that this time limit is necessary to ensure that the allocation of capacity is done fairly.

Allocation of Capacity - Section XVI (5) (d) in the M12 and C1 Tariffs

Staff submitted that Union's requirement for resubmission of service requests when multiple requests are received is inconsistent with industry practice and may lead to unfair treatment of potential shippers. Staff commented that industry practice for allocating limited available capacity is typically on a pro-rata basis. Therefore, staff suggested that the process for resubmission is not required.

IGUA submitted that Union did not indicate on what basis it would choose between the “open season” response and the “opportunity for resubmission” response.

Union submitted in its Reply that customers are not required to resubmit their requests; rather, they have the option to do so. Union stated that allowing interested customers to submit new bids with the knowledge that their service requests will be considered along with a competing bid provides more transparency, since customers may be willing to bid for a longer term if they knew that would have a better opportunity to obtain the capacity.

Union also indicated that because of the wide variety of possible circumstances and factors for consideration, no firm criteria can be listed in the tariffs for choosing between the “open season” response and the “opportunity for resubmission”.

Board Findings

The Board notes that Union indicated that the “situation of competing bids would occur very rarely because Union would likely initiate an Open Season if there was a lot of interest in a service”.

The Board agrees with Union that it would be difficult to outline the criteria for choosing between the “open season” response and the “opportunity for resubmission” in its tariffs. Accordingly, the Board finds that the criteria for choosing between the “open season” response and the “opportunity for resubmission” does not need to be included in Union’s revised tariffs.

THE BOARD ORDERS THAT:

1. Union Gas Limited shall amend its M12 and C1 tariffs to allow up to five (5) calendar days to process and accept a customer’s request for transportation services, subject to Union’s conditions precedent (as outlined in section XVI (5) (c) v)), if necessary.

2. Intervenors eligible for a cost award shall file with the Board and forward their respective cost claims for the proceeding to Union no later than **21 days** of the issuing of this decision.
3. Union shall file with the Board and deliver to the applicable intervenor any objections to the claimed costs no later than **14 days** upon receipt of cost claims.
4. The intervenors shall file with the Board and forward to Union any responses to any objections for cost claims no later than **7 days** upon receipt of objection by the Union.

All filings to the Board must quote the file number, EB-2010-0155, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and email address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available parties may email documents to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

DATED at Toronto, August 30, 2010

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

**EXCERPTS FROM THE M12 ANC C1 TARIFF
AS PROPOSED BY UNION GAS LIMITED**

EB-2010-0155

Union's peak day requirements for such facilities, and Shipper's service entitlement during such period of impairment, shall be pro-rated. This pro rationing shall be determined by multiplying the daily capability of such facilities, as available downstream of the impairment, by a fraction, the numerator of which is Shipper's firm Contract Demand and the denominator of which is the total of all such firm contract demands, including the firm Contract Demand hereunder and Union's said peak day requirements downstream of the impairment. For the purposes of this Article XI, firm contract demand shall mean all firm services provided by Union, including firm service under Rate Schedules M2, M4, M5A, M6A, M7, M9, M10, M12, C1, T1, T3, U2, U5, and U7, plus any new firm service that may be created in the future.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the M12 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. ~~Any Shipper~~A potential shipper may request firm ~~Transportation Services~~transportation service on Union's system at any time. Any ~~such~~request for firm M12 transportation service must include: ~~Shipper~~potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, ~~and~~Contract Demand and proposed payment. This is applicable for M12 service requests for firm transportation service with minimum terms of ten (10) years where Expansion Facilities are required ~~and~~or a minimum term of five (5) years for use of existing capacity.

2. If requests for firm ~~Transportation Services~~transportation services cannot be met through existing capacity such that the only way to satisfy the ~~request~~requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.
3. If requests for long-term firm transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.
4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value ~~("NPV") using the effective rate at the time the capacity is allocated~~ which shall be calculated based on the proposed per- unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").
5. ~~If Shippers request firm Transportation Services where the firm Transportation Services requested were previously offered in an open season but were not awarded, then the allocation of such capacity shall be carried out by one of Union's methods for allocation of such capacity, which methods include, but are not limited to, "first come, first served" basis, open season, or direct negotiations, provided any such requesting Shipper meets all conditions in Article XXI herein, subject to the remaining Available Capacity. Union may at any time allocate capacity to respond to any M12 transportation service request through an open season. If a potential shipper requests M12 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:~~

(a) Any such request must conform to the requirements of Section 1 of this Article XVI:

(b) Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form M12 transportation contract:

(c) Union may reject a request for M12 transportation service for any of the following reasons:

- i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper:
- ii) ~~6. Union is not obligated to accept requests for service where~~ if the proposed monthly payment is less than Union's monthly demand charge plus fuel requirements for the applicable service:
- iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5(d) hereof: -
- iv) if Union does not provide the type of transportation service requested: or
- v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected: and

(d) If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

- i) Reject all the pending requests for transportation service and conduct an open season: or

ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

For contracts with an Initial Term of five (5) years or greater, the Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, subject to notice in writing by Shipper of termination at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

- ~~1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances.~~
1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

~~The priority of service guidelines Priority ranking for all services utilizing Union's Transportation Services shall be as follows, with detailed policies and procedures available on Union's website. The highest ranked service has 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 is curtailed last and the lowest ranked service has the lowest priority and is curtailed first: the last interrupted.~~

- ~~a. Any firm ex-franchise transportation service(s), firm in-franchise transportation and distribution service(s)~~
- ~~b. Interruptible in-franchise distribution service(s)~~
- ~~c. C1/M12 interruptible transportation and exchange(s), balancing activity (ex-franchise/in-franchise), overrun (ex-franchise/in-franchise)~~
1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 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 (Note 3)
 5. C1/M12 IT Transport and IT Exchanges at premium rates
 6. C1/M12 Overrun < = 20% of CD (Note 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

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9. If due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, making it necessary for Union to curtail Shipper's gas receipts to Union hereunder, then Union agrees that the firm Contract Demand for Transportation Services under the Contract shall be combined with the firm contract demand set out in other Union contracts then in effect with Union's customers utilizing such facilities as well as quantities set out in Union's peak day requirements for such facilities, and Shipper's service entitlement during such period of impairment, shall be pro-rated. This pro rationing shall be determined by multiplying the daily capability of such facilities, as available downstream of the impairment, by a fraction, the numerator of which is Shipper's firm Contract Demand and the denominator of which is the total of all such firm contract demands, including the firm Contract Demand hereunder and Union's said peak day requirements downstream of the impairment. For the purposes of this Article XI, firm contract demand shall mean all firm services provided by Union, including firm service under Rate Schedules M2, M4, M5A, M6A, M7, M9, M10, M12, C1, T1, T3, U2, U5, and U7, plus any new firm service that may be created in the future.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the C1 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. ~~Any Shipper~~A potential shipper may request ~~Transportation Services~~transportation service on Union's system at any time. Any ~~such~~request ~~for C1 transportation service~~ must include: ~~Shipper~~potential shipper's legal name, Receipt Point(s),

Delivery Point(s), Commencement Date, Initial Term, Contract Demand, proposed payment, and ~~Type of Transportation Service~~ and type of transportation service requested.

2. If requests for firm ~~Transportation Services~~ transportation services cannot be met through existing capacity such that the only way to satisfy the ~~request~~ requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.
3. If requests for long-term transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.
4. Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value ~~("NPV") using the effective rate at the time the capacity is allocated~~ which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").
5. ~~If Shippers request Transportation Services where (a) the Transportation Services requested were previously offered in an open season but were not awarded, or (b) the requests for Transportation Services may be served on existing facilities for a term no greater than one year, then the allocation of such capacity shall be carried out by one of Union's methods for allocation of such capacity, which methods include, but are not limited to, "first come, first served" basis, open season, or direct negotiations, provided any such requesting Shipper meets all conditions in Article XXI herein, subject to the remaining Available Capacity. Union may at any time allocate capacity to respond to any C1 transportation service request through an open season. If a potential shipper requests C1 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:~~

(a) Any such request must conform to the requirements of Section 1 of this Article XVI:

(b) Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form C1 transportation contract:

(c) Union may reject a request for C1 transportation service for any of the following reasons:

- i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper:
- ii) ~~6. Union is not obligated to accept requests for service where~~ if the proposed monthly payment is less than Union's monthly demand charge plus fuel requirements for the applicable service:
- iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5(d) hereof: -
- iv) if Union does not provide the type of transportation service requested: or
- v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected: and

(d) If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:

i) Reject all the pending requests for transportation service and conduct an open season: or

ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

For contracts with an Initial Term of five (5) years or greater, with (a) a Receipt Point of Parkway or Kirkwall and a Delivery Point of Dawn (Facilities), or (b) a Receipt Point of Dawn (Facilities) and a Delivery Point of Parkway or Kirkwall, or (c) a Receipt Point of Parkway and a Delivery Point of Kirkwall, the Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, subject to notice in writing by Shipper of termination at least two (2) years prior to the expiration thereof.

For all other contracts, the Contract will continue in full force and effect until the end of the Initial term, but shall not renew.

XVIII. SERVICE CURTAILMENT

1. Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances.

If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

~~The priority of service guidelines~~Priority ranking for all services utilizing Union's Transportation Services shall be as follows, with detailed policies and procedures available on Union's website. The highest ranked service has 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 is curtailed last and the lowest ranked service has the lowest priority and is curtailed first:the last interrupted.

~~a. Any firm ex franchise transportation service(s), firm in franchise transportation and distribution service(s)~~

~~b. Interruptible in-franchise distribution service(s)~~

~~c. M12/C1 interruptible transportation and exchange(s), balancing activity (ex franchise/in franchise), overrun (ex franchise/in franchise)~~

1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 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 (Note 3)

5. C1/M12 IT Transport and IT Exchanges at premium rates

6. C1/M12 Overrun < = 20% of CD (Note 4)

7. Balancing (Direct Purchase) > 500 GJ/d