

Field Area Segmentation Frequently Asked Questions

Q. What is Field Area Segmentation?

R. On August 4, 2004, the Federal Energy Regulatory Commission (FERC) approved Northern's implementation plan for Field Area Segmentation. The plan provides for a phased-in approach with two separate phases as follows:

- 1) Phase 1: Contracts that have a primary receipt point(s) south of the MID 7B Segmentation Point and a primary delivery point(s) north of the MID 7B Segmentation Point may be segmented into two associated contracts. In addition, contracts that have a primary receipt point(s) north of the MID 7B Segmentation Point and a primary delivery point(s) south of the MID 7B Segmentation Point may also be segmented into two separate, but associated contracts.
- 2) Phase 2: Same as Phase 1, except Shippers who request Field Area segmentation will no longer be required to separate the contract into two separate contracts, and instead will amend their contract to have two associated segments within the same contract. In this phase, the contracting, nomination, scheduling and billing systems must be developed to establish not only primary and interruptible paths and points, but will also need to establish the Alternate 1 and Alternate 2 points/paths for each segment. This will create different priorities for nominations within the path and outside the path. In this phase, all shippers with a contract in the Field Area will receive a revised contract designating the primary, Alternate 1 and Alternate 2 receipt and delivery points.

Q. What are the implementation dates for each phase?

R. Phase 1 will be implemented on September 1, 2004. After the implementation of Phase 1, Northern will meet with the customers to assess the effectiveness of Phase 1 and assess whether further modifications are necessary. Northern will also file a report with the Commission on July 1, 2005, that identifies the operation of the plan and any modifications that are needed. The Commission will review the report and provide further guidance on Phase 2. The preliminary implementation date for Phase 2 is October 1, 2005.

Field Area Segmentation Frequently Asked Questions

Q. How do I know if I have a contract that is eligible for Field area segmentation?

R. Field Area segmentation will be permitted as long as the Shipper's existing TF or TFX contract has a primary receipt point located south of the MID 7B Segmentation Point and a primary delivery point located north of the MID 7B Segmentation Point (or vice versa).

Q. What is the Field Area Segmentation Point?

R. POI Number 78447 has been established as the MID 7B Segmentation Point and POI Number 78448 has been established as the MID 7B Segmentation Point Deferred Delivery. These segmentation points are valid primary receipt and/or delivery points for all Field Area segmented contacts. These points are also valid primary or alternate receipt and/or delivery points, subject to available capacity, for any transport contract. The MID 7B Segmentation Point Deferred Delivery Point is also a valid point for storage contracts.

Q. Where is the MID 7B Segmentation Point?

R. The MID 7B Segmentation Point is a virtual point and is located between MID 7 and MID 8 in Northern's Field Area.

Q. What MIDs are north and what MIDs are south?

R. MIDs 1 through 7 are considered to be south of the MID 7B Segmentation Point and MIDs 8 through 16B are considered to be north of the MID 7B Segmentation Point.

Field Area Segmentation Frequently Asked Questions

Q. What happens when a shipper requests to segment their firm entitlement?

- R.** The Shipper requesting segmentation will retain its original contract and the segmentation MDQ will be assigned to two additional segmented contracts (one South Field Area Segment Contract and one North Field Area Segment Contract).
- If the Shipper's primary receipt point(s) is **south** of the MID 7B Segmentation Point and the primary delivery point(s) is north of the MID 7B Segmentation Point:
 - MDQ will be assigned for the area **south** of MID 7B Segmentation Point (MIDs 1-7), with primary receipt point(s) of the original contract and a primary delivery point of the MID 7B Segmentation Point - South Field Area Segment Contract
 - MDQ will be assigned for the area **north** of the MID 7B Segmentation Point (MIDs 8-16B) with a primary receipt point of the MID 7B Segmentation Point and primary delivery point(s) of the original contract. - North Field Area Segment Contract
 - If the Shipper's primary receipt point(s) is **north** of the MID 7B Segmentation Point and the primary delivery point(s) is south of the MID 7B Segmentation Point:
 - MDQ will be assigned for the area **north** of MID 7B Segmentation Point (MIDs 8-16B), with primary receipt point(s) of the original contract and a primary delivery point of the MID 7B Segmentation Point - North Field Area Segment Contract
 - MDQ will be assigned for the area **south** of the MID 7B Segmentation Point (MIDs 1-7) with a primary receipt point of the MID 7B Segmentation Point and primary delivery point(s) of the original contract. - South Field Area Segment Contract

Q. Can a Shipper segment only a portion of their Field Area contract MDQ?

- R.** Yes, a Shipper may segment 100% or a portion of the available contract Field Area capacity that flows through the MID 7B Segmentation Point. The maximum MDQ of each segmented contract may be no greater than the MDQ of the initial contract that is pathed through Plainview

Q. Can a Shipper segment their Field Area contract capacity if the contract has both Field and Market MDQ?

Field Area Segmentation Frequently Asked Questions

R. Yes, if the original (base) contract has both Field and Market MDQ, the Shipper can request to segment the Field Area MDQ (all or a portion). The Market Area MDQ would remain on the base contract, as well as, any Field Area MDQ that was not segmented.

Q. Can a Shipper use alternate receipt and delivery points on a South Field Area and North Field Area Segment Contract?

R. Yes, subject to the contractual provisions set forth in the Shipper's original transportation contract. The South Field Area Segment Contract will have all points in MIDs 1-7 available for nomination as alternate receipt and delivery points, and the North Field Area Segment Contract will have all points in MIDs 8-16B available for nomination as alternate receipt and delivery points.

Q. Can the MID 7B Segmentation Point be a primary or alternate receipt or delivery on any transportation contract?

R. Yes, the MID 7B Segmentation Point can be a valid primary or alternate receipt and/or delivery points, subject to available capacity, on any transport contract, but this point is not valid for MPS agreements.

Q. Can a Shipper change, add, or delete points on the South Field Area and North Field Area Segment Contracts?

R. A Shipper may realign their existing receipts on the South Field Area Segmented Contract and/or realign their existing deliveries on the North Field Area Segmented Contract, but each segmented contract cannot exceed the segmented MDQ on the shipper's base contract. The Shipper may not increase or decrease the MDQ at the MID 7B Segmentation Point on either a receipt or delivery basis. The contract MDQ on the South Field Area Segmented Contract and the North Field Area Segmented Contract must always equal.

Field Area Segmentation Frequently Asked Questions

- Q. Can a shipper negotiate the term for the segmented contracts?**
- R.** Yes. The term is negotiable but it cannot extend beyond the term of the base contract. Provisions of the underlying base contract are applicable.
- Q. If the Shipper has the Right of First Refusal (ROFR) on the base contract, does that provision apply to the segmented contracts?**
- R.** Yes, Right of First Refusal (ROFR) on the base contract applies to the segmented contract at the end of the term of the base contract.
- Q. How does a shipper request to segment a contract?**
- R.** Segmentation of capacity may be requested by submitting a written request, in accordance with Section 26, "Request for Throughput Service" and Section 27, "Information Required for a Valid Request" of the GENERAL TERMS AND CONDITIONS of the tariff.
- Q. Is Capacity Release applicable to Field Area segmented contracts?**
- R.** Yes. The original (base) contract and the Field Area segmented contracts act as three separate contracts. The capacity for each of these three contracts may be released independently.
- Q. Can a shipper release Field Area segmented capacity on a temporary or a permanent basis?**
- R.** Yes. A shipper can release all or a portion of their Field Area segmented capacity on a temporary or a permanent basis. When Field Area segmented capacity is released, Northern's capacity release tariff provisions will apply, including all provisions for rates and billing.

Field Area Segmentation Frequently Asked Questions

Q. When Field Area segmented capacity is released, does the ROFR go to the acquiring shipper?

R. When a Field Area segmented contract is released on a permanent basis, the ROFR, as applicable in the base contract, will go to the acquiring Shipper. When a Field Area segmented contract is released on a temporary basis, the ROFR will continue to reside on the base contract only.

Q. Can a Shipper segment Field Area capacity acquired through a temporary release?

R. The terms of the release would dictate whether the Acquiring Shipper can segment the Field Area capacity. Absent specific terms, the Acquiring Shipper can segment the Field Area capacity.

Q. When reviewing the postings of capacity available for release, will a Shipper readily be able to identify Field Area segmented contracts?

R. Yes, a column will be added to the capacity posting website indicating if the contract is a Field Area segmented contract or a Market Area segmented contract.

Q. Does Field Area Segmentation impact SMS on the base contract?

R. Field Area segmentation has no impact on the rules for SMS. If a shipper does not segment 100%, they can decide how much if any of the SMS is associated with the segmented contract.

Q. For nominations and scheduling, how are Field Area segmented firm service agreements treated?

R. When the MID 7B Segmentation Point and/or MID 7B Segmentation Deferred Delivery is designated as primary on the TF or TFX contract, then the point(s) will also be considered primary for scheduling purposes up to the segmented contract MDQ and then IT (overrun) above the contract MDQ.

Field Area Segmentation Frequently Asked Questions

Q. What is the criteria for nominations on South Field Area Segment Contracts?

- R.** The following items apply to nominations on the South Field Area Segment Contract:
- The Shipper's nomination from the primary receipt points to the MID 7B Segmentation Point or the MID 7B Segmentation Point Deferred Delivery will be scheduled as primary.
 - The Shipper's nomination from any other points in MIDs 1-7 will be scheduled as alternate receipt or delivery points.
 - Any path nominated with a receipt in the South Field Area and a delivery north of the MID 7B Segmentation Point (MIDs 8-16B) would be scheduled as interruptible (overrun).

Q. What is the criteria for nominations on North Field Area Segment Contracts?

- R.** The following items apply to nominations on the North Field Area Segment Contract:
- The Shipper's nomination from the MID 7B Segmentation Point or the MID 7B Segmentation Point Deferred Delivery to the primary delivery points will be scheduled as primary.
 - The Shipper's nomination from any other points in MIDs 8-16B will be scheduled as alternate receipt or delivery points.
 - Any path nominated with a receipt in the North Field Area and a delivery south of the MID 7B Segmentation Point (MIDs 1-7) would be scheduled as interruptible (overrun).

Q. Is Storage Balancing Service (SBS) be available to the segmented contracts?

- R.** Yes, Storage Balancing Service (SBS) is available for segmented contracts.

Q. Can Segmented Contracts be a part of the Storage Netting Process?

- R.** Yes, current storage netting rules will apply for the MID 7B Deferred Delivery Segmentation Point.

Field Area Segmentation Frequently Asked Questions

Q. Can a Shipper elect the MID 7B Deferred Delivery Segmentation Point for Imbalance to Storage?

R. Yes, this point will be treated just like any other storage point selected for the Imbalance to Storage process.

Q. Can the MID 7B Segmentation Point be allocated during scheduling?

R. The MID 7B Segmentation Point will not be allocated during scheduling, but quantities at this point could be impacted by upstream or downstream allocations.

Q. Will Field Area segmentation impact the Plainview allocation?

R. Field Area Segmentation will have no impact on the Plainview allocation. Plainview will continue to be allocated as it is today. Following is a summary of how Plainview is allocated today:

- If the physical flow of gas is from north of Plainview to south of Plainview and delivery nominations south of Plainview exceed what receipts are coming into the system south of Plainview plus what volume can be moved through Plainview, then a Plainview allocation is required. The allocation would be based on the shippers' scheduling priorities at the delivery points south of Plainview.
- If the physical flow of gas is south of Plainview to north of Plainview and receipt nominations south of Plainview exceed what can be moved through Plainview, then a Plainview allocation is required. The allocation would be based on the shippers' scheduling priorities at the receipt points south of Plainview.

Q. On which segmented contract (North Field Area or South Field Area) will the Reservation charges be billed?

R. Per the tariff, the reservation charge will be billed on the contract(s) as agreed to by Northern and the Shipper.

Field Area Segmentation Frequently Asked Questions

Q. How will the commodity and fuel charges be assessed on Field area segmented contracts?

R. Transportation commodity charges, commodity surcharges, fuel and unaccounted for will be assessed per the original contract terms and based on the points actually scheduled each month. The commodity will be the maximum commodity charge per the base contract, unless a discount has been negotiated.

Q. What charges will be assessed for activity at the MID 7B Deferred Segmentation Point?

R. Applicable storage fees will also be charged for injection and withdrawal activity at the MID 7B Deferred Segmentation Point on the shipper's storage contract.

Q. What charges will apply if alternate points are used on a Field Area segmented contract?

R. The charges applicable to use of alternate points within the segment will be as provided for in the base contract, unless otherwise agreed to by Northern. Alternate points used outside the segment of the contract will be considered interruptible and charged accordingly.

Q. Will penalties be assessed on segmented contracts?

R. Yes. All DDVC and receipt point scheduling penalties will apply to scheduled volumes on Field Area segmented contracts, if applicable.

Q. Will discount provisions on the base contract carry over to the North Field Area and South Field Area segmented contracts?

R. Yes, all original contract provisions regarding rates, including discount provisions, will carryover to the Field Area segmented contracts.

Field Area Segmentation Frequently Asked Questions

- Q. What scheduling priority and transportation rate will apply if a Shipper nominates outside of the contract segment?**
- R.** If on either the South Field Area Segment Contract or the North Field Area Segment Contract, there is a transportation path nominated that crosses the MID 7B Segmentation Point, the interruptible rate will be charged for the entire path (for example, a receipt south of the MID 7B Segmentation Point to a delivery north of the MID 7B Segmentation Point).