



Imbalance Resolution Frequently Asked Questions

Q. Where can I find the procedures for the Imbalance Resolution System?

- R. The procedures are posted on Northern's website on the [Support>Training Manuals](#) web page under the heading "*Imbalance Resolution Election System (IRES) User Manual*".

Q. Shippers may access the Imbalance Resolution screen from the 9th-12th business day. How late on the 12th business day may shippers access this screen?

- R. Our expectation is to have imbalances posted by 9:00 a.m. on the 9th business day. As soon as "Posted Imbalances" are available, shippers will be able to access the Imbalance Resolution screen. Shippers may access this screen to select how they intend to resolve their production month transportation imbalances until 10:00 p.m. CCT on the 12th business day.

Q. If shippers want to resolve their monthly transportation imbalance by Imbalance trading only, do they still need to access the Imbalance Resolution screen and make the appropriate selection for Imbalance Trading?

- R. Shippers are encouraged to access the imbalance resolution election screen if they plan to resolve their imbalance through only Imbalance Trading. However, if imbalance trading is not selected, it will be deemed a zero election and shippers may then initiate imbalance trades by submitting the Request for Imbalance Trade form to Northern by 10 p.m. CCT by the 17th business day of the month.

Q. Is it an issue if a shipper selects imbalance trading for a specific volume but when it submits the appropriate paperwork on the 17th business day to effectuate the trade, the volume is different?

- R. No, when the actual paperwork for the imbalance trade is received, Northern will process the trade for the volume submitted and confirmed. However, if the shipper also selected imbalance to storage or in-kind payback as a resolution option for a portion of its imbalance volume, the volume designated for these options will not be affected or changed based on the increased or decreased volume that the shipper has traded.

Q. Based on their imbalance resolution selections, if a shipper is unable to resolve all of its imbalance through imbalance to storage or if it is unable to trade their imbalance, will the unresolved imbalance be cashed out at the High/Low MIP?

- R. Yes, the imbalance will be cashed out at the applicable production month's weekly high/low MIP. These prices located on Northern's website on the [Rates>Monthly Index Price](#) web page.



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- Q. If a shipper elects a volume to be traded, can the shipper trade a volume greater than the elected volume?**
- R. Yes, a shipper may trade a volume greater than or less than it elected. However, if the shipper also selected imbalance to storage or in-kind payback as a resolution option for a portion of its imbalance volume, the volume designated for these options will not be affected or changed based on the increased or decreased volume that the shipper traded.
- Q. If a shipper who has a 2,000 imbalance (Due from Svc Req) elects to trade 1,000 and to resolve the other 1,000 using Imbalance to Storage but it actually trades 1,500, would it be able to complete the trade?**
- R. Yes. On the 14th business day, based on its selection, 1,000 would be withdrawn from the appropriate storage account. On the 17th business day, if the required paperwork was received, the trade for 1,500 would be processed. The shipper would then cash out the remaining 500 at the production month's weekly low MIP. The imbalance to storage election will not be impacted by the imbalance trade volume.
- Q. Can a shipper review previous (historical) elections?**
- R. Yes, a shipper can access past elections at the imbalance resolution screen under Customer Activities in the Flowing Gas section of Northern's website.
- Q. Would a shipper be able to review current or previous elections, if the shipper has an agent that manages its imbalances and therefore makes the applicable imbalance resolution selections?**
- R. Yes, the agent and shipper can both view the imbalance resolution elections made by the agent on the shipper's behalf.
- Q. Can a shipper start imbalance trade negotiations as soon as the imbalances are posted?**
- R. Yes, once the imbalances are posted on the 9th business day, shippers may start immediately working with other shippers to negotiate a trade. However, it is important to remind shippers that the imbalance resolution elections are scheduled to be completed by 10:00 p.m. CCT on the 12th business day but shippers have until the 17th business day to complete their trade negotiations and to submit the appropriate paperwork to Northern.



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- Q. When Northern adjusts a shipper's storage inventory on the 14th business day for the applicable imbalance to storage transaction, does this impact the shipper's ability to schedule current month activity or does it change the shipper's daily firm FDD quantity?**
- R.** As soon as the imbalance to storage process has been completed on the 14th business day, the shipper will be able to view the applicable storage inventory adjustment. If the adjusted inventory level is zero, the shipper would not be able to schedule withdrawals until the inventory level became positive. Subject to the shipper's daily firm FDD quantity, the shipper would be able to schedule injections up to its maximum account quantity. If the adjusted inventory is the shipper's maximum account quantity, the shipper would not be able to schedule injections until the inventory level was reduced. Subject to the shipper's daily firm FDD quantity, the shipper would be able to schedule withdrawals down to an inventory level of zero. This process does not impact the shipper's daily firm FDD quantity for 4-Step or 3- Step service types but would impact the shipper's GIP daily firm FDD quantities since the imbalance to storage volume will change the shipper's inventory levels.
- Q. If a shipper elects Imbalance to Storage to resolve a May production month imbalance using an FDD storage agreement, since the storage inventory will be adjusted in June, will this volumetric adjustment be considered rollover volumes, and will the rollover charge be applicable?**
- R.** Yes. If the adjustment to storage inventory was an injection, even though made in June, the adjustment would be included in determining the end of May storage balance, which is subject to the Annual Rollover Fee.
- Similarly, the imbalance quantity resolved to/from storage will be considered a part of any period minimum quantity (January production month) and period maximum quantity (February and August production months) requirement under the FDD Rate Schedule for the same month as the imbalance production month.
- Q. If a shipper elects imbalance to storage to resolve a March production month imbalance using an IDD storage agreement, since the storage inventory will be adjusted in April, will this volumetric adjustment be considered rollover volumes, and will the rollover charge be applicable?**
- R.** Yes. Even though made in April, the adjustment would be included in determining the end of March storage balance, which is subject to the annual rollover fee.
- Q. What is in-kind payback?**
- R.** In-kind payback is an option for resolution of monthly transportation imbalances that allows shippers to nominate physical payback, within specific parameters, to resolve all or a portion of their monthly transportation imbalance.



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Q. Where is information regarding in-kind payback defined in Northern's tariff?

- R. In-kind payback is set forth in Northern's FERC Gas Tariff, Part 8, Section 32.3 Resolution of Imbalances, Paragraph A.4.

Q. Are there any limitations for shippers utilizing in-kind payback?

- R. Yes. In-kind (physical) payback may be used to resolve monthly transportation imbalances up to the greater of 3% of the shipper's monthly scheduled volumes, or 1,000 MMBtu. When a blackout period is called within the imbalance month, in-kind (physical) payback may be scheduled during the payback month only up to the greater of 1% of the shipper's monthly scheduled volumes, or 1,000 MMBtu.

Q. When is the payback month?

- R. The payback month is the month after the election month (2nd month after the imbalance is created). For example, 1) imbalances incurred in May 2) imbalance resolution elections are made in June, and 3) if elected, in-kind payback volume is scheduled in July (payback month).

Q. What is a blackout period?

- R. Northern has the right to call in-kind payback blackout periods for the Market Area and the Field Area. Blackout periods result in limitations to the use of in-kind payback during the payback month. When called, blackout periods apply to one direction, short – due from service requestor or long – due to service requestor. The blackout period is called within the imbalance month, in-kind (physical) payback may be scheduled during the payback month only up to the greater of 1% of the shipper's monthly scheduled volumes (versus the normal 3% limitation, available when a blackout is not in effect), or 1,000 MMBtu. For example, if a Market Area blackout is called in May (imbalance (production) month), the blackout must have been called by May 20th and the scheduling of in-kind physical payback in July (payback month) would be limited to the greater of 1% of the shipper's monthly scheduled volumes for May, or 1,000 MMBtu. The decision to call a blackout period must be made and the pertinent information posted to Northern's website by no later than the 20th calendar day of the imbalance (production) month.

Q. Why would Northern call a blackout period?

- R. In-kind payback is provided using Northern's limited operational storage. Periodically, operational storage approaches its limits directly impacting Northern's ability to accommodate the physical payback requirements of the higher level typically available (imbalances of up to 3% of scheduled transportation quantities). When circumstances dictate, Northern will call a blackout period to reduce the possibility of additional physical requirements being placed on the operational storage during the imbalance election process.



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Q. When would Northern expect to call blackout periods under normal operating and pricing conditions?

- R. Under normal operating and pricing conditions, Northern would expect to call blackout periods for long imbalances that would be created in the months of September, October, and November. Blackout periods for short imbalances would expect to be called for the months of December, January, February, and March.

Q. How will Northern notify shippers of a blackout period?

- R. Northern will post on its website by the 20th day of the imbalance (production) month whether the month is an in-kind payback blackout period. The posting/notice will also include the following information about the blackout period:
- Area impacted by the blackout period: Market Area or Field Area
 - Direction of imbalances affected by the blackout period: long or short. (Blackout periods are applicable to only one direction of imbalance (short or long) during any one month.)
 - Market and operational conditions that required the calling of the blackout period including the intra-month price differentials.

Q. Are there any restrictions on the number of blackout periods Northern can call?

- R. Northern may call a maximum of ten blackout periods per calendar year in the Market Area and a maximum of five blackout periods per calendar year in the Field Area.

Q. Are there other differences for blackout periods in the field area?

- R. Yes. Blackout periods in the Field Area will be limited as follows:
- Northern may not call a blackout period in the Field Area until after a trigger month has occurred.
 - A trigger month is determined if Northern has called a blackout period for the Market Area, and Field Area transportation imbalances incurred at non-OBA points exceed 1% of the shippers' aggregated scheduled transportation volumes in the same direction (long or short) as the market area blackout, Northern's ability to call blackout periods in the Field Area will begin.
 - Each trigger month will allow for blackout periods to be called in the Field Area for a 12-month consecutive period thereafter.
 - If during the 12-month period, another trigger month occurs, a new 12-month period will commence during which Northern shall have the right to call blackout periods in the Field Area.



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Q. What is the basis for calculating the 3% and 1% limitation?

- R. The 3% (no blackout period) and the 1% (blackout period in effect) is calculated on the shipper's total monthly scheduled transportation volume for the imbalance month. Transportation volumes scheduled on TF, TFX and TI agreements, excluding Demarc to Demarc Deferred, Demarc to Demarc, Demarc Deferred to Demarc and Demarc Deferred to Demarc Deferred, will be included in this calculation.

Q. Will I know when I am making my production month imbalance resolution selections if there is a blackout period in effect?

- R. Yes. Northern will post on its website by the 20th day of the imbalance production month when a blackout period will be in effect. When shippers make their imbalance resolution selections, the resolution screen will display the applicable volumetric limitation (3% (no blackout) or 1% (blackout in effect) of the shipper's monthly scheduled transportation volumes) for in-kind payback.

Q. Can in-kind payback be used to resolve all Market Area, Field Area, and Gulf Coast Area imbalances?

- R. In-kind payback can be utilized for resolution of Market Area and Field Area imbalances only. Gulf Coast Area imbalances can be resolved using imbalance trading and/or cash in/out. Northern cannot physically accommodate in-kind payback in the Gulf Coast Area due to operational limitations.

Q. Can the shipper nominate in-kind payback on a firm transportation agreement?

- R. Yes, a shipper has the discretion to use any of its active TF, TFX or TI transportation agreements to nominate the in-kind payback volumes.

Q. Is the shipper required to nominate in-kind payback evenly across the days of the month?

- R. No, shippers may nominate any amount of in-kind payback during any cycle (within applicable cycle nomination rules), on any gas day as well as any cycle, within the applicable cycle nomination rules during the payback month up to an aggregate amount equal to their in-kind election amount.

Q. When can in-kind payback gas be nominated/scheduled?

- R. In-kind payback may be scheduled during the payback month and can be scheduled all in one day or spread out over the month. For example, the timeline could be: 1) transportation imbalances incurred in May (imbalance month); 2) imbalance resolution elections in June (election month); and 3) in-kind payback scheduled in July (payback month).



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Q. How will in-kind payback gas be nominated/scheduled?

- R. Northern has established two in-kind payback points POI #78556 Field In-kind Payback and POI #78557 Market In-kind Payback. If a shipper is resolving a Field Area imbalance, it will use the Field in-kind payback point; likewise, if it is resolving a Market Area imbalance, it will use the Market Area in-kind payback point. Depending on the direction of the imbalance (short or long), the shipper will nominate a physical receipt point with a delivery to the applicable in-kind payback point or a receipt at the applicable in-kind payback point to a physical delivery. Example: Shipper imbalance is short (Due from Svc Req) in the Market Area and the shipper has elected in-kind payback. Shipper would nominate a receipt point on the transportation contract being utilized and the delivery would be the Market Area in-kind payback point. Shipper imbalance is long (Due to Svc Req) in the Field Area and the shipper has elected in-kind payback. Shipper would nominate a receipt at the field area in-kind payback point and the delivery would be a point on the transportation contract being used.

Q. Can the in-kind payback points be used for nominating any activity other than imbalance resolution?

- R. No. The two in-kind payback points are restricted to in-kind payback activity only. If a shipper nominates in-kind payback but it did not make an election to resolve all or a portion of its imbalance by in-kind payback, it will receive an error message ('In-kind payback election is required to nominate in-kind payback.') and the nomination would be invalid.

Q. Are there any restrictions on the amount of in-kind payback gas a shipper can nominate?

- R. Yes, shippers cannot nominate in-kind payback in excess of their imbalance resolution in-kind payback election amount. If a shipper nominates an amount greater than the elected in-kind payback election amount, an error message will be provided – 'The nomination for in-kind payback exceeds the remaining in-kind payback election quantity by _____. ' Any nomination in excess of the remaining in-kind payback election would be invalid.

Q. What upstream or downstream contract will shippers' reference when nominating in-kind payback?

- R. Northern has created an administrative storage contract #111675 to be referenced in the nomination process.



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Q. When nominating in-kind payback, do shippers need to use a specific transaction type?

- R. Yes, the following transaction types have been established for in-kind payback:
- Current Business In-Kind Payback – 111
 - Overrun In-Kind Payback – 112

Q. What is the scheduling priority for in-kind payback?

- R. Transportation scheduling priorities for in-kind payback will follow the priority of the transportation agreement used to nominate and schedule the payback volumes.

Q. Will daily scheduling allocations impact in-kind payback that is nominated?

- R. Northern's administrative contract will be treated as interruptible storage for allocation purposes. If Northern is allocating daily storage services, the in-kind payback points will be included in the allocation and will have the same scheduling priority as maximum rate IDD and FDD Overrun.

Q. Will fuel and UAF be charged on in-kind payback transactions?

- R. Yes, as applicable. Fuel and UAF will be retained when a shipper is nominating in-kind payback to resolve a long (Due to Svc Req) imbalance. In the example above, fuel would be retained when the shipper imbalance is long (Due to Svc Req), and it nominates a receipt at the in-kind payback point and the delivery at a point on the transportation contract being used. No transportation commodity or fuel will be charged to shippers scheduling in-kind payback to resolve a short imbalance (Due from Svc Req).

Q. If a shipper has a discount, will it lose that discount if it utilizes the in-kind payback point as an alternate point?

- R. No. Use of the in-kind payback points will not cause a shipper to lose its discount.

Q. Are there specific transportation commodity charges associated with in-kind payback?

- R. When the in-kind payback is scheduled to resolve a long position (Due to Svc Req), transportation commodity charges (Firm or Interruptible) related to the actual in-kind payback volumes would be billed on a current month basis (the month that the payback volumes are actually scheduled). Any applicable fuel and UAF would also be charged/retained. No transportation commodity or fuel will be charged to shippers scheduling in-kind payback to resolve a short imbalance (Due from Svc Req).



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- Q. Are volumes scheduled at the in-kind payback points part of the DDVC calculation?**
- R. In a long position (Due to Svc Req) the volume is scheduled at a delivery point on the Shipper's transportation contract and the in-kind payback volume is a part of the DDVC calculation. In a short position (Due from Svc Req) the in-kind payback volume has no impact on DDVC calculations.
- Q. What charges are applicable if the shipper is unable to or does not schedule the total in-kind payback volume as elected to resolve the applicable monthly transportation imbalance?**
- R. Any residual imbalance volumes that were elected but were not resolved through in-kind payback will be cashed out at the applicable weekly high/low Market Area or Field Area MIP for the payback month. These volumes and associated charges will appear on the production month prior period imbalance cash in/out invoice.
- Q. If a shipper elected in-kind payback to resolve all or a portion of its monthly transportation imbalance, is the shipper required to nominate the gas?**
- R. Yes. Similar to imbalance to storage, the expectation for in-kind payback is that the shipper will perform (nominate the in-kind payback volume) according to its imbalance resolution election. In the event the shipper is unable to schedule all of the elected in-kind payback volume, the remaining balance will be cashed in/out at the applicable weekly high/low MIP for the payback month.
- Q. What if a shipper elected imbalance trading and in-kind payback to resolve its monthly transportation imbalance but during the trading process the shipper was able to trade the entire imbalance?**
- R. The elected in-kind payback volume is not available for trading. Northern will reserve the elected in-kind payback volume from the shipper's total imbalance quantity and will hold that elected in-kind payback volume as an imbalance until the payback month.



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Any residual imbalance volumes that were elected but were not resolved through in-kind payback will be cashed out at the applicable weekly high/low Market Area or Field Area MIP for the payback month. Please see the following example for further clarification.

Total May production month imbalance to be resolved: 5,000 (Due to Svc Req)

	ELECTED VOLUME	ACTUAL VOLUME	MAY IMBALANCE CASH IN/OUT INVOICE ADJUSTMENTS
<i>Shipper elects but does not schedule in-kind payback</i>			
Imbalance Trading	3,000	5,000	2,000 @ May Low
In-Kind Payback	2,000	0	2,000 @ July High
<i>Shipper elects and schedules in-kind payback</i>			
Imbalance Trading	3,000	5,000	2,000 @ May Low
In-Kind Payback	2,000	2,000	