

Virtual (Market Area) Segmentation Frequently Asked Questions

What is Virtual Segmentation?

FERC Order No. 637 required pipelines to permit a shipper to make use of the firm capacity that it has under contract by segmenting that capacity into separate parts for its own use or for the purpose of releasing that capacity to replacement shippers to the extent such segmentation is operationally feasible. Virtual Segmentation will be limited to Northern's Market Area only. A separate process is established for segmentation in the Field Area.

Which rate schedules is Virtual Segmentation available to in the Market Area?

Virtual Segmentation is available for rate schedules TF and TFX.

Note: Storage contracts cannot be segmented, but the deferred segmentation point is a valid point for Storage contracts.

What happens when a shipper requests to segment its firm entitlement?

Two contracts will be established when a shipper requests to segment its firm capacity, one for the **Access Segment**, and one for the **Delivery Segment**.

What is an Access Segment contract?

The Access Segment contract will be from the shipper's existing primary receipt point(s) (excluding non-physical pooling points) to the market area segmentation point. The Access segment MDQ shall be limited to the available receipt point MDQ in the shipper's base contract (at the point level). MDQ on the base contract will be reduced by the amount that is segmented. Alternate physical receipt points shall be available within MID 17. Since its a non-physical, MID 17 Pooling Point and MID 17 Deferred Delivery Point cannot be nominated on an Access Segment contract. Volumes delivered to the Segmentation Point shall not be subject to otherwise-applicable commodity rates or mainline fuel charges.

What is a Delivery Segment contract?

The Delivery Segment contract will be from the market area segmentation point (receipt) to the shipper's existing primary delivery point(s). The Delivery segment MDQ shall be limited to the available delivery point MDQ in the shipper's base contract (at the point level), and shall be subject to all applicable transportation rates and charges provided thereunder. MDQ on the base contract will be reduced by the amount that is segmented. Alternate delivery points shall be available within MID 17. MID 17 Pooling Point and MID 17 Deferred Delivery Point cannot be nominated on a Delivery Segment contract.

What is the segmentation point?

POI number 78394 has been established as the Market Area Segmentation Point and POI number 78438 has been established as the Market Area Segmentation Deferred Delivery Point. These segmentation points are only valid for nominations on access and delivery segmented transport contracts. The Market Area Segmentation Deferred Delivery Point is also a valid point for storage contracts.

Can a shipper use alternate receipt points on an Access Segment contract?

Yes, subject to the terms of the underlying transportation agreement. Any physical point within the Market Area may be used as an alternate receipt point on the Access Segment contract, with the exception of MID 17 Pooling Point and MID 17 Deferred Delivery Point. Because Northern is offering Storage Balancing Service (SBS) for segmented contracts, the Deferred Delivery

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Segmentation Point can also be an alternate receipt or alternate delivery point on the Access Segment contract.

Can a shipper use alternate delivery points on a Delivery Segment contract?

Yes, subject to the terms of the underlying transportation agreement. Any point within the Market Area may be used as an alternate delivery point on the Delivery Segment contract, with the exception of MID 17 Pooling Point and MID 17 Deferred Delivery Point. Because Northern is offering SBS for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Delivery Segment contract.

Why can't a shipper use the MID 17 Pooling Point or MID 17 Deferred Delivery Point as an alternate receipt/delivery?

An increase in the number of transactions that are delivered to a pooling point and then to another pooling point create duplicate complexity in the Demarc allocation process. Northern does not want to add any more complications to the Demarc allocation process, since it is critical that Northern meet the schedule quantity timeline to the customer.

Can the segmentation point be an alternate receipt or delivery on any transportation contract?

No. The Segmentation Point and the Segmentation Deferred Point are only valid for Access and Delivery Segment transport contracts. The Segmentation Deferred Delivery Point is also a valid point for storage contracts. Only Access, Delivery, and Capacity Acquired Segment contracts will be allowed to deliver gas to or receive gas from the Segmentation Point or Segmentation Deferred Point. This increase in the number of transactions that are delivered to a pooling-type of point creates another level of complexity in the already complex Demarc allocation process. Allowing non-segmented contracts to use the segmentation point would result in shippers scheduling between the MID 17 pool and the Market Area Segmentation Point, which is not allowed. This would also increase the complexity associated with a Demarc allocation.

Can a shipper change, add, or delete points on the Access and Delivery Segment contracts?

Yes. However, since capacity is required to be tracked at physical receipt and delivery points, in order to change the contract MDQ or add or delete points on the segmented contracts (Access and/or Delivery), the segmented contracts must first be rolled back into the base contract. The contract can then be amended with the applicable changes and the base contract can then again be segmented.

Can a shipper negotiate the term for the segmented contracts?

Yes. Term is negotiable but not outside the term of the base contract. Provisions of the underlying base contract are applicable. Because capacity is only tracked on the base contract, MDQ changes and/or addition/deletion on Access and Delivery Segment contracts/points cannot be made without first amending the base contract.

How does a shipper request to segment a contract?

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.

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Is Capacity Release applicable to segmented contracts?

Yes. In addition, the intraday capacity release requirements apply to segmented contracts.

Can a shipper temporarily release segmented capacity?

Yes. A shipper can release segmented capacity on a temporary basis. Capacity may be posted and released pursuant to the terms of Section 47 of the general terms and conditions in the tariff.

Can a shipper permanently release capacity on segmented contracts?

No. A shipper can only release segmented capacity on a temporary basis.

What portions of the service requester's segmented (Access and/or Delivery) contract can be released?

For a Segmented contract, a shipper can release a portion or all of the available receipt and/or delivery MDQ.

For nominations and scheduling, how are Segmented firm service agreements treated?

Segmented firm service agreements are treated the same as all other firm agreements under the tariff for purposes of nominations and scheduling, except that deliveries to and receipts from the Market Area Segmentation Points shall have an alternate scheduling priority.

What is the criteria for nominations on Access Segment contracts?

The following items apply to Access Segment contract nominations:

- The Access Segment contract's receipt(s) MDQ will be less than or equal to the original contract point MDQ.
- The shipper may nominate from its primary receipt location(s) to the Segmentation Point or Deferred Segmentation Point.
- The shipper may nominate alternate physical receipt locations. MID 17 Pooling Point and the MID 17 Deferred Delivery Point cannot be nominated to the Segmentation Point or Deferred Segmentation Point. Because Northern is offering SBS for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Access Segment contract.
- The shipper CANNOT nominate any alternate (delivery) points, except the Deferred Segmentation Point. On the Access Segment contract, the shipper can only deliver to the Segmentation Point or the Deferred Delivery Segmentation Point.
- The shipper MUST deliver to a Delivery Segment contract (Downstream contract) at the Segmentation Point.
- Nominations must be pathed to the Segmentation Point.
- Overrun is available for the Access Segment contract.

What is the criteria for nominations on Delivery Segment contracts?

The following items apply to Delivery Segment contract nominations:

- The Delivery Segment contract's delivery MDQ will be less than or equal to the original contract point MDQ.
- The shipper may nominate from the Segmentation Point or Deferred Delivery Segmentation Point to its primary delivery location.
- The shipper cannot nominate any alternate (receipt) point, except the Deferred Segmentation Point.

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- The shipper may nominate from the Segmentation Point to any alternate (delivery) point in the market area. MID 17 Pooling Point and the MID 17 Deferred Delivery Point cannot be nominated. Because Northern is offering SBS for segmented contracts, the Deferred Delivery Segmentation Point can also be an alternate receipt or alternate delivery point on the Delivery Segment contract.
- The shipper must receive (Upstream contract) gas from an Access Segment contract at the Segmentation Point.
- Nominations must be pathed on Delivery Segment contract.
- Overrun is available for Delivery Segment contracts.

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

Yes. SBS will be limited to the Market Area Segmentation Deferred Delivery Point.

Can Segmented contracts be a part of the Storage Netting Process?

Yes, but Storage Netting will be limited to the Access and Delivery Segment contracts only. A shipper cannot net Access Segment contracts with "non-segmented" transport contract types. Market Area segmentation points are not valid receipts/deliveries on non-segmented contracts.

Can a shipper utilize segmented contracts for Imbalance to Storage activity?

Yes, but it must also select the Market Area Segmentation Deferred Delivery Point for the Imbalance to Storage activity.

Can a shipper inject or withdraw from another Deferred Delivery Point to the Segmented Deferred Delivery Point through the storage agreements (without using a transport agreement)?

No. The Access Segment and Delivery Segment contract are the only contracts that can nominate to the Segmented Deferred Delivery Point.

On which segmented contract (Access or Delivery) will the reservation charges be billed?

Reservation charges associated with the segmented MDQ will be billed on the Delivery Segment contract. Reservation charges associated with the segmented MDQ will not be billed on the Access Segment contract.

On which segmented contract (Access or Delivery) will the commodity and mainline fuel charges be assessed?

Transportation commodity rates and mainline fuel charges will be assessed only on the Delivery Segment contracts. No commodity rates or mainline fuel charges will be assessed on the Access Segment contracts.

What charges will apply for deliveries to the Market Area Deferred Delivery Segmentation Point?

Transportation commodity rates and mainline fuel charges will be assessed for deliveries to the Market Area Deferred Delivery Segmentation Point on the Delivery Segment contract. Applicable storage fees will also be charged for injection and withdrawal activity at the Market Deferred Delivery Segmentation Point on the shipper's storage contract.

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Will penalties be assessed on segmented contracts?

Yes. Penalties will be calculated on segmented contracts, if applicable.

Will discount provisions on the base contract carry over to the segmented contracts?

Yes, applicable discount provisions will carryover to segmented contracts.

How will reservation, commodity and fuel charges be invoiced if a shipper releases capacity on the Access and/or Delivery Segment contracts?

The reservation charge agreed to by the releasing shipper and acquiring shipper will be billed on the Segment contract that has been released. If both the Access Segment and Delivery Segment contracts have been released, the reservation charges agreed to by the releasing shipper and acquiring shipper(s) will be billed on both contracts based on the specific details of the releases. The maximum rate that a releasing shipper may agree to with the acquiring shipper on the Access Segment contract is the maximum applicable Market Area reservation charge. The maximum rate that a releasing shipper may agree to with the acquiring shipper on the Delivery Segment contract is the maximum applicable Market Area reservation charge. The releasing shipper receives credits for the reservation charges collected on each released Segment contract, subject to the terms of the underlying contract. The commodity and fuel charges will be billed only on the acquiring shipper's Delivery Segment contract. Northern retains the revenues associated with these charges.

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