

Allocation of Transportation Capacity - Frequently Asked Questions

(For internal use only)

Northern Natural Gas allocates transportation capacity on its pipeline to ensure integrity of the pipeline. The process to allocate the capacity is reviewed in a question/answer format below.

Why does Northern allocate transportation?

Pursuant to Section 29 of the general terms and conditions of the tariff, Northern allocates transportation capacity when nominations received from one or more shippers exceed the available physical pipeline capacity.

How does a shipper become aware of a potential allocation?

The best way to increase awareness of potential allocations is from Northern's "[At a Glance](#)" web page. Additionally, shippers can elect to receive email notifications of any critical and non-critical notices in the [Notification and Security Administration](#) System. This application is located on Northern's website under the Support tab.

Whenever possible, as conditions develop and the potential for an allocation increases, Northern posts a non-critical notice notifying shippers that the potential exists. Often, conditions change quickly and Northern is unable to post a notice, but strives to keep shippers informed on the ever changing operational conditions on the pipeline.

If a critical situation exists, (i.e., Force Majeure, or other critical situation) Northern will post a critical notice whenever Northern does allocate capacity. Therefore, shippers should ensure that they monitor the informational postings on Northern's website for information about potential allocations.

How does a customer/shipper learn of capacity availability on the Northern pipeline?

Northern posts, at the end of each nomination cycle, the capacity available at receipt and delivery points, as well as for allocation groups. Shippers can access this information on Northern's [Operationally Available Capacity](#) web page.

When nominations exceed capacity at a receipt point, how is the available capacity allocated among the different shippers?

In receipt point allocations performed during the timely nomination cycle, Northern allocates capacity as follows:

- First off is the lowest priority – Interruptible nominations are allocated by price
- Next priority – Alternate firm nominations are allocated pro rata
- Last off is the highest priority – Primary firm nominations are allocated pro rata

In subsequent nomination cycles within the same gas day, alternate firm gas scheduled during the timely nomination cycle will be deemed to have the same priority of service as other primary firm gas scheduled for that day.

When the receipt allocation includes nominations on a MPS agreement (pools), the allocation is based on the capacity type (interruptible or firm) of the contract nominated to ultimately transport the volume away from the pool; i.e. downstream contract.

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When nominations exceed capacity at a delivery point, how is the available capacity allocated among the different shippers?

In delivery point allocations performed during the timely nomination cycle, Northern allocates capacity as follows:

- First off is the lowest priority – Interruptible nominations are allocated by price
- Next priority – Alternate firm nominations are allocated pro rata
- Last off is the highest priority - Primary firm nominations are allocated pro rata

In subsequent nomination cycles within the same gas day, alternate firm gas scheduled during the timely nomination cycle will be deemed to have the same priority of service as other primary firm gas scheduled for that day.

What is a Group allocation and how is the capacity allocated on a Group basis?

A group is comprised of all the receipt and delivery points in a defined area. One example of a group is the Oakland Allocation Group in Northern's Market Area.

In an Oakland group allocation, Northern allocates when the nominations at all the delivery points downstream of Northern's Oakland compressor station exceed the delivery capacity of the Oakland Allocation Group. In an Oakland Allocation Group, as with any group allocation, gas nominated to be received and delivered within the group is excluded from the allocation. Applying our Oakland Allocation Group example, capacity is allocated to the remaining nominations as follows during the timely nomination cycle:

- First off is the lowest priority – Interruptible nominations are allocated by price
- Next off - Alternate firm delivery point sourced from an Alternate firm receipt point (allocated pro rata)
- Next off – Alternate firm delivery point sourced from a primary firm receipt point and primary firm delivery point sourced from an alternate firm receipt point (allocated pro rata).
- Last off is the highest priority - Primary firm delivery point sourced from primary firm receipt (allocated pro rata)

In subsequent nomination cycles within the same gas day, alternate firm gas scheduled during the timely nomination cycle will be deemed to have the same priority of service as other primary firm gas scheduled for that day.

How are percent calculations done in the various group allocations?

Below are definitions for various calculations pertaining to allocation groups and actual examples:

- **Percentage** – The percentage of the zone point nomination that is subject to allocation for that referenced nomination group
 - **Contract Percentage Calculation:**
The percentage of a shipper's zone point MDQ located within a nomination group relative to the total MDQ for that zone point
 - **Weighted Average Calculation:**
For contracts without any MDQ at the zone point, a weighted average will be calculated using all contract percentages from contracts with MDQ at the zone point

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o **Percentage Calculation:**

Shipper A's Contract 1 Information	MDQ
Zone ABC - Shipper A	100
MDQ at points in Nomination Group	20
Percentage applied to Zone Nomination	20%

Shipper A's Nomination for Gas Day		
Zone ABC - Shipper A	% in Allocation	Quantity Eligible for Allocation
Primary = 50 Dth	50 Dth x 20%	10 Dth
Alternate = 30 Dth	30 Dth x 20%	6 Dth
Overrun = 20 Dth	20 Dth x 20%	4 Dth

	MDQ in Group	Total Zone Point MDQ	Percentage
Contract 1	20	100	20%
Contract 2	50	200	25%
Contract 3	20	150	13%
Contract 4	0	300	0%
Total	90	750	

If a shipper nominates to a point behind a zone and that point has been included as part of the zone calculation to determine the percent of the zone nomination in an allocation, does the system re-calculate to determine the percent used each cycle?

Yes. If a shipper changes a nomination from the zone directly to the point, the nomination volume up to the MDQ will be reduced from the numbers used to calculate the percent of the zone nominations to use in the allocation.