

Under-Recovery Retainage (URR) Frequently Asked Questions

What is URR and why does it exist?

The Under-Recovery Retainage ("URR") is a natural gas retention percentage that applies to FDD storage injection volumes for variances in annual natural gas storage recovery as further described below. The URR mechanism was developed as part of Northern's rate case settlement in 2020 (FERC Docket No. RP19-1353) and became effective beginning for the 2021 injection season. The URR Percentage is determined on an annual basis, similar to the storage fuel rate. Refer to [Tariff Sheet No. 300](#) for more information.

The Redfield and Lyons Storage fields are Northern's two water driven natural gas storage fields that are utilized to provide FDD storage service. Historically, annual injection-withdrawal cycles have reflected an under-recovery of injected gas volumes (injections exceed withdrawals) in part due to withdrawal season time limitations resulting from the requisite start of the subsequent injection season.

Minimal annual variances between cumulative injections and withdrawals occur at each of these storage fields and URR is necessary to assist Northern in balancing inventory variances. URR allows for Northern to adjust storage fuel percentage rates in a timely and efficient manner to reflect the incurrance of under-recoveries.

When is the URR Percentage applicable?

Beginning June 1, 2021, the URR Percentage will be applied to all FDD injections during the Injection Period: June 1 through October 31.

Where is the URR Percentage published?

The currently effective URR Percentage is provided on [Tariff Sheet No. 54](#) under FDD URR Percentage.

When is the URR Percentage calculated?

The URR Percentage is calculated annually and filed with FERC on February 1 in the Periodic Rate Adjustments for Fuel filing, which also includes the FDD Storage Fuel Percentage.

Can the URR Percentage be negative?

Yes, if there is an over-recovery (calculated withdrawals exceed calculated injections) and a Post URR Balance exists. The Post URR Balance is a defined term meaning "The net balance of under recovered storage quantities recovered through the URR Percentage." [Tariff Sheet No. 300 Section 53A Paragraph 2.\(h\)](#).

How is the URR Percentage calculated?

After each storage cycle year, total withdrawals from Redfield and Lyons are subtracted from total injections to determine the under-recovery or over-recovery for that year. If injections minus withdrawals is positive, under-recovery has occurred and the URR percentage is positive. If injections minus withdrawals is negative, over-recovery has occurred and the URR percentage is negative. However, in the case of an over-recovery for a storage cycle, and if the Post URR Balance as a result of the over-recovery is fully recovered, there will be no URR percentage for the immediately following storage cycle beginning June 1. Any excess over-recovery will be used to reduce the Pre URR Balance.

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The FDD Storage URR Percentage is calculated pursuant to [Section 53A Paragraph 3.\(e\)\(iii\)\(b\) in Tariff Sheet No. 301A](#).

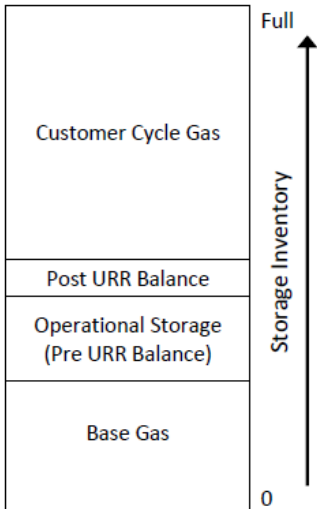
- (b) The FDD URR Percentage is applied to the FDD volumes injected during the Injection Period. Subject to paragraph (c) below, the URR Percentage is calculated by subtracting the total cycle withdrawal quantity from the total cycle injection quantity, as adjusted for line losses and other field surface adjustments, for the Redfield and Lyons storage fields, plus any FDD Storage URR Adjustment Amount to true-up the quantity from the prior cycle and dividing the result by the projected FDD Storage injections during the Injection Period.*
- (c) Calculation of Post URR Balance. Beginning with the implementation of the URR Percentage, when under-recoveries are collected through the URR Percentage, the under-recoveries are accumulated into the Post URR Balance. When a net over-recovery occurs, the URR Percentage will be negative. The total amount of such over-recovery will first be netted against the Post URR Balance. If the Post URR Balance is zero, any over-recoveries will be netted against the Pre URR Balance and no URR Percentage will be applicable for the amount of the over-recovery that exceeds payback of the Post URR Balance.*

Can an example of the URR be provided?

On page 3 is an URR example that Northern submitted in its Stipulation and Agreement of Settlement under RP19-1353.

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**Redfield/Lyons
Water Drive Reservoirs**



The diagram shows a vertical stack of four boxes representing storage inventory levels. From top to bottom: 'Customer Cycle Gas', 'Post URR Balance', 'Operational Storage (Pre URR Balance)', and 'Base Gas'. To the right of the stack is a vertical arrow pointing upwards, labeled 'Storage Inventory', with 'Full' at the top and '0' at the bottom.

Northern Natural Gas Company
URR Example

Northern Natural Gas Company
Stipulation and Agreement,
Docket No. RP19-1353
Appendix G
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Summary

- 1 Under recoveries (URR) will be determined annually and reflected in the annual PRA filing. URR will be collected during the FDD injection period of June-October.
- 2 Over recoveries are first paid back to customers via a negative URR rate. The negative URR will be capped at the cumulative amount of customer paid URR (Post URR Balance).
- 3 If over recoveries occur at a level that fully pays back customer-supplied URR (Post URR Balance), then excess over recoveries will be applied to the Pre URR Balance that is currently held at Redfield and Lyons.

Illustrative Example (Not a Forecast)

Under/Over Recovery Time Period	Annual URR Amount/Rate	URR Collection/Return	Post URR Balance (Cumulative URR Balance)
2019-2020 Redfield and Lyons physical cycle year ends July 2020	250,000 Dth 0.38% Rate (0.25 Bcf / 65.1 Bcf = 0.38%)	Collect rate of 0.38% during the June-October 2021 injection period	250,000 Dth October 31, 2021
2020-2021 Redfield and Lyons physical cycle year ends July 2021	200,000 Dth 0.31% Rate (0.2 Bcf / 65.1 Bcf = 0.31%)	Collect rate of 0.31% during the June-October 2022 injection period	450,000 Dth October 31, 2022
2021-2022 Redfield and Lyons physical cycle year ends July 2022	(450,000) Dth -0.69% Rate (-0.45 Bcf / 65.1 Bcf = -0.69%)	Payback rate of -0.69% during the June-October 2023 injection period	0 Dth October 31, 2023
2022-2023 Redfield and Lyons physical cycle year ends July 2023	(200,000) Dth 0.00% Rate	URR rate is -0- during the June – October 2024 injection period since the cumulative Post URR Balance is -0- and there is no outstanding balance to credit to shippers	0 Dth October 31, 2024
2023-2024 Redfield and Lyons physical cycle year ends July 2024	250,000 Dth 0.38% Rate (0.25 Bcf / 65.1 Bcf = 0.38%)	Collect rate of 0.38% during the June-October 2025 injection period	250,000 Dth October 31, 2025