

GENERAL TERMS AND CONDITIONS

J. Imbalance Statements.

The Imbalance statements shall be made available to the Shipper on the 9th business day of each month.

Upon termination of the Throughput Service Agreement, any remaining imbalances shall be cashed out/in within thirty (30) days from the date of termination.

K. Imbalance Value Reconciliation

For the production period commencing January 1, 2005, Northern will record the effects of Storage Encroachment Price Risk (SPR) previously called the System Levelized Account (SLA) on a monthly basis. Such effect shall be separately recorded by Cash and Liability or Asset, including the value from tiering the MIP, and revenues and expenses related to the sale or purchase of gas volumes, including the costs and revenues of managing operational storage purchase and sales obligations through the use of derivative instruments. Regardless of any accounting rule or principle that may apply, the changes in fair value of derivative instruments, if used to manage the SPR, may be included in the cost of service for ratemaking purposes, subject to all parties' rights to challenge on any grounds other than such accounting principles.

L. Imbalance Trading. Imbalance trading activity shall follow the steps outlined below. All imbalance trading will be on a volumetric basis.

- (i) Effective February 1, 2005, by the ninth (9th) business day of the month following the month the imbalance occurred, Northern will automatically post on its website Shipper's volumetric imbalances (netted by legal entity) by type of imbalance. Northern will also post customer-provided information regarding their desire to trade, the volumes and price at which they want to trade and any other comments.
- (ii) A Shipper may negotiate with other Shippers, or Shipper's agent, to trade the existing imbalances. An agent is allowed to trade imbalances on behalf of more than one shipper at the same time. Imbalances can be traded as long as they affect the same operational impact area, either "Market Area," "Field Area" or "Gulf Coast," consistent with the definition of the "Market Area," "Field Area" and Gulf Coast," as set forth in Section 32 C. above. There is no requirement that imbalances for trading must be incurred on the same day.
- (iii) All Shippers will have until the close of the 17th business day of the month following the month the imbalance occurred to complete volumetric imbalance trading elected in (i) above.
- (iv) Shippers must notify Northern at or prior to the close of the 17th business day via fax or e-mail of the volumes traded and the trading partners (all Shippers in the trade must notify Northern of the intent and the amount traded).
- (v) Imbalance trades will be executed at no additional cost to the Shipper.
- (vi) After the close of the 17th business day of the month following the month the imbalance occurred, Northern will calculate Shipper's final imbalance for the prior month's gas flow. Any residual imbalances net of trading and not resolved by other methods in accordance with the terms of this tariff will be cashed-in/out at the weekly high/low price for the production month.
- (vii) Any discrepancies between trading Shippers' imbalance trade notifications to Northern will result in the trade not being confirmed and the volume remaining as an imbalance to both Shippers, which will be subject to resolution using cash-in/out. However, an initiating Shipper may cure any defect in its imbalance trade notification so long as the Shipper does so prior to the receipt of the trade confirmation. Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Northern.