

32.2 Monthly Index Price (MIP)

A. Determination of MIPs

The high, low and average Index Prices for the Market Area Index Price, and the Field Area Index Price shall be determined each month using the quoted spot gas price at price discovery points on Northern's system as appearing in "Gas Daily."

1. Monthly Index Prices will be determined using a five-week period. The five-week period is defined as beginning on the first Tuesday of the calendar month for which the MIP is being established and ending on the first or second Monday of the following month, whichever is applicable, to arrive at a five-week period.
2. Market Area Monthly Index Prices (Market Area MIP)
  - a. The High Market Area Monthly Index Price (High Market Area MIP) shall equal the arithmetic average of the highest average weekly price occurring within each five-week period at Northern, demarcation and Northern, Ventura.
  - b. The Low Market Area Monthly Index Price (Low Market Area MIP) shall equal the arithmetic average of the lowest average weekly price within each five-week period at Northern, demarcation and Northern, Ventura.
  - c. The Average Market Area Monthly Index Price (Average Market Area MIP) shall equal the arithmetic average of the five average weekly prices at Northern, demarcation and Northern, Ventura.
3. Field Area Monthly Index Prices (Field Area MIP)
  - a. The High Field Area Monthly Index Price (High Field Area MIP) shall equal the arithmetic average of the highest average weekly price occurring within each five-week period at Panhandle, Tx - Okla and El Paso, Permian.
  - b. The Low Field Area Monthly Index Price (Low Field Area MIP) shall equal the arithmetic average of the lowest average weekly price within each five-week period at Panhandle, Tx - Okla and El Paso, Permian.
  - c. The Average Field Area Monthly Index Price (Average Field Area MIP) shall equal the arithmetic average of the five average weekly prices at Panhandle, Tx - Okla and El Paso, Permian.

Imbalance quantities will be dollar valued using the applicable MIPs set forth above depending on whether the imbalance quantities were created in the Market Area or the Field Area.

If a price discovery point is eliminated or redefined by "Gas Daily," Northern will notify shippers via an Internet website posting. Northern will make a tariff filing to change MIP components.

Northern will electronically post, on or before the 15th day of the following month, the MIPs, including the tiered values, to be used for the previous calendar month.

B. Tiering of MIPs

Except for Small Customers, the Market Area or the Field Area MIP is tiered based upon the monthly imbalance level of the legal entity, in accordance with the following schedule:

<u>Imbalance Level*</u>	<u>Due Northern</u>	<u>Due Shipper</u>
0% - 3%	HIGH MIP * 1.00	LOW MIP * 1.00
Greater than 3% up to 5%	HIGH MIP * 1.02	LOW MIP * 0.98
Greater than 5% up to 10%	HIGH MIP * 1.10	LOW MIP * 0.90
Greater than 10% up to 15%	HIGH MIP * 1.20	LOW MIP * 0.80
Greater than 15% up to 20%	HIGH MIP * 1.30	LOW MIP * 0.70
Greater than 20%	HIGH MIP * 1.40	LOW MIP * 0.60

\*The imbalance level is determined by dividing the legal entity's monthly Volumetric Imbalance by its monthly deliveries. Such monthly deliveries shall exclude Shipper's deliveries under MPS agreements, solely for purposes of calculating Shipper's transportation imbalances percentage.

For any legal entity listed as a Small Customer in Part 10 of this Tariff, tiering shall be as set forth above, except the imbalance level and associated valuation applicable for the first tier of MIP \* 1.00 is equal to the greater of 1,000 Dth or 3%.

The tier valuation factors listed above will be applied to the portion of the imbalance level which falls within each tier.

Delivery Point Operators shall have the ability to determine the imbalance level by an alternate method ("alternate imbalance level determination"), subject to the following:

If Northern is transporting gas to a Point(s) of Delivery which is within an Operational Zone and, billing of the last-through-the-meter methodology as described in Section 30 of the GENERAL TERMS AND CONDITIONS of this Tariff is employed, then the Delivery Point Operator's imbalance level shall be determined by dividing the operator's monthly volumetric imbalance by all volumes delivered to the point for the month that are subject to the last through-the-meter methodology, assuming prior to the beginning of any month Northern has been provided the legal entity(s) delivering to the Delivery Point Operator's Operational Zone for the month and that such volumes, for purposes of imbalance level determination, are to be used by the Delivery Point Operator. This alternate imbalance level determination will be used only when the Delivery Point Operator's monthly imbalance level exceeds 3%.

C. Applicability of MIPs

1. To determine the Dollar Valuation of a Shipper's Volumetric Imbalance, the following factors are applicable:
  - a. For Volumetric Imbalances where the Shipper's monthly deliveries exceed the Shipper's monthly receipts (Shipper owes Northern), the Dollar Valuation is calculated by multiplying the monthly Volumetric Imbalance by the "Due Northern" High Market Area or High Field Area MIP, as tiered for the Shipper's imbalance level.
  - b. For Volumetric Imbalances where the Shipper's monthly receipts exceed the Shipper's monthly deliveries (Northern owes Shipper), the Dollar Valuation is calculated by multiplying the monthly Volumetric Imbalance by the "Due Shipper" Low Market Area or Low Field Area MIP, as tiered for the Shipper's imbalance level.

- c. For Volumetric Imbalances created at Northern's request for operational reasons, the Dollar Valuation is calculated by multiplying the Average Market Area or Average Field Area MIP by the Volumetric Imbalance for the applicable month.
2. To the extent a Shipper has multiple Throughput Service Agreements with Northern, the monthly Volumetric Imbalance for all Service Agreement(s) held by a single legal entity shall be accumulated and netted together prior to applying the tiered MIP and calculating the monthly Dollar Valuation.