

### 32.3 Resolution of Imbalances

#### A. Imbalance Resolution Options

Each month, subject to mutual agreement by Northern and Shipper on a not unduly discriminatory basis, Northern and Shipper shall eliminate any Imbalance by using any combination of the four (4) resolution mechanisms set forth below. Imbalances will be posted on the 9th Business Day of the month. Shippers will have until the 12th Business Day of the month to access Northern's website to elect which imbalance resolution mechanism(s) they will use and the volumes associated with each mechanism. Any volumes not designated to be resolved using either trading (for which final notification is due to Northern by the 17th Business Day), imbalance-to-storage or in-kind resolution will automatically be cashed out. Any residual imbalance volume remaining after trading, imbalance-to-storage or in-kind resolution methods will also be automatically cashed-out as further explained herein.

1. **Monthly Imbalance Trading.** Each month, Shipper will have the opportunity to trade monthly imbalances with other eligible Shippers. All imbalance trading activity shall be in accordance with Subsection 32.3 B. outlined below.
2. **Monthly Cash-out/in.** Each month, Northern will either invoice the Shipper pursuant to Section 8 of these GENERAL TERMS AND CONDITIONS or credit the Shipper the Dollar Valuation amount of the Shipper's monthly imbalance, determined in accordance with Subsection 32.2 C. 1. above.
3. **Monthly Imbalance-to-Storage.** Effective April 1, 2005, a Shipper's monthly imbalance may be resolved as an injection to, or withdrawal from, the Shipper's deferred delivery account(s), or the deferred delivery account of another Shipper, subject to capacity availability and the terms of the Shipper's deferred delivery account. If the Shipper is utilizing an account of another Shipper an executed agreement between the transfer parties must be provided to Northern identifying the transfer parties and the transfer quantity at the time of the election.

When Shipper elects the imbalance to storage mechanism, Shipper must identify the applicable transportation and storage contracts and storage point to be used for billing purposes. The ability to use the imbalance to storage mechanism is subject to the storage parameters of the Shipper's or the transfer party's applicable deferred delivery agreement(s) (either FDD or IDD), and transportation provisions thereunder. Shippers will be charged all applicable storage, transportation, Fuel and UAF charges. For Shippers and/or transfer party with unused monthly transportation entitlement, the firm commodity rate shall apply. To the extent there is not sufficient unused monthly transportation entitlement, the overrun rate shall apply. For Shippers with unused monthly storage injection or withdrawal entitlement, the firm injection or withdrawal rate shall apply. The transportation fee for underdeliveries (storage injections) will be the applicable out-of-balance transportation rate. Storage inventories will be adjusted for the imbalance volume on the 14th Business Day of the month. Any residual imbalance as a result of the Shipper's storage agreement will be cashed out at the applicable weekly high/low price of the production month.

4. **In-kind Resolution.** Effective June 1, 2005, in-kind payback may be used to resolve monthly imbalances after trading, up to the greater of 3% of the Shipper's monthly scheduled volumes, or 1,000 Dth. Volumes resolved using other methods will not count toward the 3% limitation. The in-kind payback volumes must be scheduled in the calendar month after receipt of notification of the final imbalance amount that may be resolved through this in-kind process. The Shipper may nominate any amount of in-kind payback volumes by day. Northern will attempt to schedule the imbalance payback volumes as requested, subject to storage or transportation-related allocations. Any residual volume remaining at the end of the payback month will be cashed out at the high/low weekly price of the payback month.

Shippers will schedule in-kind payback volumes on the transportation agreement of their choice. The transportation and storage scheduling priorities for in-kind resolution will follow the priority of the agreement scheduled. If Northern is allocating its storage services, in-kind payback volumes will have the same scheduling priority as Rate Schedules IDD and FDD overrun.

Blackout. Northern has the right to call blackout periods for the Market Area and the Field Area for in-kind resolution. During blackout periods the amount of imbalance available for in-kind resolution will be the greater of 1.0% of the Shipper's monthly scheduled volumes, or 1,000 Dth, subject to the availability of capacity. Northern will post on its website by the 20th day of the production month whether such month is a blackout period and the direction of imbalances (long or short) for which the blackout period applies. Northern will be able to call a maximum number of 10 blackout periods per calendar year in the Market Area and a maximum of 5 blackout periods per calendar year in the Field Area. Provided, however, the calling of a blackout period in the Field Area shall be limited as follows: Commencing January 1, 2005 and continuing through the trigger month(s) (defined herein), Northern may not call any blackout periods in the Field Area. During any month in which Northern has called a blackout period for the Market Area, and Field Area transportation imbalances incurred at non-OBA points exceed 1% of the Shippers' aggregated scheduled transportation volumes in the same direction as the Market Area blackout (trigger month), Northern's ability to call blackout periods in the Field Area will begin. Each trigger event will allow for blackout periods to be called in the Field Area for a 12-month consecutive period thereafter. If during such 12-month period, another trigger month occurs, i.e., Northern calls a black out period for the Market Area, and Field Area transportation imbalances incurred at non-OBA points exceed 1% of the Shippers' aggregated scheduled transportation volumes in the same direction as the Market Area blackout, a new 12-month period will commence during which Northern shall have the right to call blackout periods in the Field Area. If, however, no subsequent trigger month occurs during such 12-month period, Northern may not call a blackout period in the Field Area until a new trigger month occurs. The blackout periods are applicable to only one direction of imbalance (short or long) during any one month. Northern will post on its website the market and operational conditions that required the calling of a blackout period including the intra-month price differentials.

Northern's other imbalance resolution methods (trading, imbalance-to-storage and cash-out) shall be available for imbalances created in blackout periods.

B. Imbalance Trading

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

1. 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.
2. 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" or "Field Area," consistent with the definition of the "Market Area" and "Field Area," as set forth in Subsection 32.2 A. above. There is no requirement that imbalances for trading must be incurred on the same day.

3. 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 1. above.
4. Shippers must notify Northern at or prior to the close of the 17th Business Day via Northern's website, 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).
5. Imbalance trades will be executed at no additional cost to the Shipper.
6. 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 applicable weekly high/low price for the production month.
7. 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.

C. Imbalances Related to Pipeline Operational Activity

If, for operational reasons, Northern requests a Shipper to pack or draft the system within a given month, any resulting Volumetric Imbalance will have a Dollar Valuation based on the applicable Market Area or Field Area Average Monthly Index Price for the given month. The provisions of this Subpart C. specifically apply only to those volumes included in Northern's request. Shipper has the option to notify Northern that it wishes to resolve such imbalance volumetrically, subject to the nomination and scheduling parameters of Northern's Tariff.

D. Prior Period Adjustments (PPA)

Any transportation imbalance in a given month, created by throughput occurring in a previous month, will have a Dollar Valuation based on the applicable Market Area or Field Area Average Weekly Index Price without tiering for the month in which the throughput occurred for purposes of using the Monthly Cash-out/in Mechanism. Northern and Shipper may agree to resolve a PPA imbalance using the Monthly Imbalance-to-Storage resolution method on a not unduly discriminatory basis.