

GENERAL TERMS AND CONDITIONS

32. BALANCING

Mandatory cash-out/in shall not apply to Operational Balancing Agreements (OBAs).

A. Definitions

- (i) Volumetric Imbalance. Volumetric imbalance shall mean the volume difference between receipts and deliveries, without consideration of the dollar value of such volume but with consideration of the applicable fuel and unaccounted-for.
- (ii) Dollar Valuation or Dollar Volume Imbalance. Dollar Valuation or Dollar Volume Imbalance shall be calculated by first determining the monthly Volumetric Imbalance and then multiplying it by the applicable Index Price (as defined below) for the same month.

B. Dollar Valuation

Northern and Shipper, or its Designee, shall receive and deliver thermally equivalent gas volumes as nearly as practicable at uniform hourly and daily rates of flow. Volume differences between monthly receipts and deliveries shall be accumulated and recorded in a Shipper account. Northern and Shipper shall manage monthly receipts or deliveries so that the account balance shall be kept as near to zero as practicable. Imbalances shall be valued on a dollar volume basis, which means that Northern will first determine the imbalance quantity for each month by legal entity on an MMBtu basis and then will determine a dollar value using the MMBtu quantity and the applicable Monthly Index Price, as tiered for imbalance level. Dollar Valuation will not apply to volumes that have been injected into or withdrawn from storage under the Monthly Imbalance-to-Storage provisions set forth in Subsection F. (iii) below.

C. Determination of Monthly Index Prices (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."

- (i) 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.
- (ii) 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.