

## Daily Cash-Out Questions and Answers

**Q. Will the Company continue to daily balance transportation customer pools (Pools) after March 31, 2021?**

A. No. Effective April 1, 2021, all daily gas imbalances associated with Pool activity will be settled with a daily cash-out process.

**Q. Will individual transportation customers who are not members of Pools be subject to the daily cash-out process?**

A. Yes.

**Q. Please explain what is meant by a Pool's daily gas imbalance.**

A. A daily gas imbalance of a Pool is the difference between a Pool's daily confirmed quantity of gas (the Pool's daily nominated quantity of gas less SEMCO's allowed gas-in-kind percent) and the Pool's daily consumed quantity of gas.

**Q. Please explain daily cash-out of a Pool.**

A. Daily cash-out of Pool is the process whereby daily the positive or negative gas imbalance of a Pool is settled as a purchase or sale of gas between the Company and the Pool.

**Q. When is a Pool's daily imbalance of gas positive?**

A. A Pool's daily imbalance of gas is positive when the Pool's daily consumed quantity of gas is less than the Pool's daily confirmed quantity of gas. The effect of a Pool's positive imbalance is a gas surplus associated with the Company's pipeline distribution system.

**Q. Describe when a Pool's daily positive imbalance of gas is authorized?**

A. An authorized positive imbalance of gas for a Pool is when the Pool's daily positive imbalance is less than or equal to the Company's positive daily balancing tolerance in effect on the day.

**Q. Describe when a Pool's daily positive imbalance of gas is unauthorized?**

A. An unauthorized positive imbalance of gas for a Pool is when the Pool's daily positive imbalance of gas that is greater than the Company's positive daily balancing tolerance in effect on the day.

**Q. When is a Pool's daily imbalance of gas negative?**

A. A Pool's daily imbalance of gas is negative when the Pool's daily consumed quantity of gas is greater than the Pool's daily confirmed quantity of gas. The effect of a Pool's negative imbalance is a gas deficiency associated with the Company's pipeline distribution system.

**Q. Describe when a Pool's daily negative imbalance of gas is authorized?**

A. An authorized negative imbalance of gas for a Pool is when the Pool's daily negative imbalance of gas is less than or equal to the Company's negative daily balancing tolerance in effect on the day.

**Q. Describe when a Pool's daily negative imbalance of gas is unauthorized?**

A. An unauthorized negative imbalance of gas for a Pool is when the Pool's daily negative imbalance of gas is greater than the Company's daily negative balancing tolerance in effect on the day.

**Q. Describe the Company's daily balancing tolerance.**

A. The daily balancing tolerance is the maximum daily imbalance on a percent basis for which a Pool will not be cashed-out for an unauthorized negative imbalance or unauthorized positive imbalance of gas. The maximum daily balancing tolerance shall be ten (10) % of a Shipper's daily Confirmed Quantity of gas. When a daily balancing restriction has been issued, the Company may reduce the daily Balancing tolerance separately for positive and negative gas imbalances.

**Q Explain what is meant by a daily balancing restriction.**

A. A daily balancing restriction is a reduction of the Company's daily balancing tolerance percent. The Company can declare a daily balancing restriction during any period of time in which the Company's ability to accommodate daily imbalances of Pools is restricted or impaired.

**Q. What is a daily balancing restriction notice?**

A. A “Daily Balancing Restriction Notice” (DBR Notice) is a directive issued by the Company to a Pooling Agent restricting the Pool’s daily balancing tolerance percent to a level deemed necessary by the Company when the Company's ability to accommodate daily imbalances is restricted or impaired due to capacity constraints.

**Q. What are capacity constraints?**

A. Capacity constraints are the result of limited capacity or supply due to actions or circumstances beyond the Company's control including, but not limited to, gate station constraints, limitations of on-system gas storage assets and services, curtailment, and utility pipeline system restrictions.

**Q. How will DBR notices be issued from a geographic perspective?**

A. The Company will issue a DBR notice geographically by gate station (Point-of-Receipt) or combination of gate stations, operational district, utility pipeline system(s), or system wide as conditions dictate.

**Q. How does the Company issue a DBR notice?**

A. The Company issues a DBR Notice by notifying affected Pooling Agents via the Company’s electronic gas nominating system as soon as possible, but no later than two (2) hours before gas nominations are due to Pool’s transporter for the day(s) during which the DBR notice will be in effect. When issued, each DBR Notice will indicate:

- (1) The Company's point(s) of receipt, operational district(s), or utility pipeline system(s), affected,
- (2) The DBR notice’s daily balancing tolerance as a percent, and
- (3) The initial time period when the DBR Notice is in effect. The period may be extended if deemed necessary by the Company.

**Q. Who at SEMCO is authorized to issue a DBR?**

A. The Manager of Gas Supply, Manager of Gas control, or Director of Gas Supply are authorized to issue a DBR.

**Q. How are an authorized and unauthorized daily gas imbalances of Pools settled?**

A. Authorized and unauthorized daily gas imbalances of Pools gas are settled through the Company's daily cash-out mechanism as described below:

**Negative Imbalance Daily Cash-Out**

On Days when a Pool incurs a negative imbalance of gas, the Pool shall purchase the negative imbalance of gas from the Company.

(a) Authorized Negative Imbalance (*whether or not DBR is declared*):

The price for an authorized negative imbalance for gas, purchased by a Pool, will be the greater of: a) the Company's currently effective commodity GCR rate, or b) the daily index price on the day of the sale.

(b) Unauthorized Negative Imbalance (*when DBR not declared*):

The price for an unauthorized negative imbalance of gas, purchased by a Pool, will be the greater of: a) the Company's currently effective commodity GCR rate, or b) the daily index price on the day of the sale + \$1.00 on the day of the sale.

(c) Unauthorized Negative Imbalance (*when DBR is declared*):

The price for an unauthorized negative imbalance of gas, purchased by a Pool, will be the greater of: a) the Company's currently effective commodity GCR rate, or b) the Daily Index Price on the Day of the sale + \$10.00 on the day of the sale.

Note: In the event that both a DBR and a curtailment are called, the Company will only assess the unauthorized negative imbalance daily cash-out rate to the pooling Agent.

**Positive Imbalance Daily Cash-Out**

On Days when a Pool incurs a positive imbalance of gas, the Company shall purchase the positive imbalance of gas from the Pool.

(a) Authorized Positive Imbalance (*whether or not DBR is declared*):

The price for an authorized positive imbalance of gas, purchased by the Company, will be the lesser of a) the Company's currently effective commodity GCR rate, or b) the daily index price on the day of the sale.

(b) Unauthorized Positive Imbalance (*weather or not a DBR is declared*):

The price for an unauthorized positive imbalance of gas, purchased by the Company, will be the lesser of: a) 80% of the daily index price on the day of the sale or, b) the Company's currently effective commodity GCR rate on the day of the sale.

**Q. How is the daily index price defined?**

A. The Daily Index Price will be the daily average of the MichCon city-gate midpoint price and the Consumers city-gate midpoint price as published in Platts Gas Daily.

**Q. Will daily cash-outs be netted?**

A. Yes. Daily cash-outs will be netted together by Pool over the effective monthly billing period and billed directly to the Pool's pooling agent.

**Q. When does the Company post its system average BTU factor?**

A. The Company's prior gas day system average BTU Factor is posted anytime between 11:30 AM and 1:00 PM. If the necessary data required to determine the average BTU factor for the prior day is unavailable, the Company will post its last known valid BTU factor.

**Q. When are gas nominations due?**

A. Gas nominations must be submitted by 2:00 p.m. ECT prior to the effective gas day. Nominations made after the 2:00 p.m. deadline shall be accepted at the sole discretion of the Company.

**Q. Can the Company reject gas nominations?**

A. Yes. The Company shall have the right, in its sole discretion, to reject or change any nomination that (1) does not match the corresponding interstate or intrastate pipeline scheduled quantity, (2) is in excess of the Pool's MDQ or Pool member's MDQ, or (3) conflicts with a daily balancing restriction or curtailment issued by the Company.

**Q. What happens if a Pool agent, marketer, or shipper fails to provide a nomination?**

A. If nomination is not provided for any Gas Day, the daily nomination is assumed to be zero.

**Q. How will the Company communicate important operational notices?**

A. The Company will communicate important operational notices via the Company's electronic gas nominating system.

**Q. What is assumed to be the daily consumed quantity of gas for a Pool member when a Pool member's metering equipment or communication equipment malfunctions?**

A. The Pool member's last known day of accurate consumption shall be used as an estimate of consumption for each day of the member's malfunction period.

**Q. How will a Pool's imbalance be adjusted and cashed-out when a Pool member's corrected consumption has been determined?**

A. The Pool member's corrected consumption adjustment will be applied to the member's Pool consumption whereby the resulting Pool's imbalance will be immediately resolved using the daily cash-out provision set forth in Section E of the Company's tariff after each the following have been determined:

- (1) Corrective action has been taken to repair the malfunctioning metering equipment or upon Company's receipt of actual accurate meter readings,
- (2) Company's determination of shipper's adjusted usage on the days when the metering equipment or communication equipment was malfunctioning,
- (3) Company's determination of the Daily Imbalance of the Pool that occurred during the malfunction period.

**Q. How are balancing recovery charges assessed for a Pool member when a Pool member's metering equipment or communication equipment malfunctions?**

A. Balancing Recovery Charges will be assessed during the malfunction period using the last known day of accurate consumption.