



Carlton Resolution Frequently Asked Questions

What is the Carlton Resolution?

The Carlton Resolution is a negotiated settlement among Northern's shippers and Northern where the shippers agreed to deliver up to 250,000 Dth/day, upon request by Northern, at the interconnect between Northern and Great Lakes Carlton during the November - March period.

Why is there a Carlton Resolution?

The Carlton Resolution allowed Northern to continue to meet its firm commitments that were developed when Northern provided sales service. Northern met its sales obligations, in part, by receiving gas that had been purchased into its system at the Carlton interconnect. Northern's physical pipeline system requires that gas be received into its system at Carlton (or other operationally feasible receipt points as determined by Northern) to ensure deliveries can be made to satisfy firm market requirements north of Farmington, Minnesota, primarily in the Minneapolis/St. Paul area. During the Federal Energy Regulatory Commission (FERC) Order No. 636 process, Northern filed to convert its firm sales service to transport service. Therefore, a mechanism to ensure physical deliveries at Carlton (to replace the gas Northern had previously been purchasing) was developed to continue providing the same level of firm service.

There was a settlement in 1993 where only the large local distribution companies (LDCs) were responsible for sourcing the gas at Carlton. In 1996, the current form of the resolution was agreed to. The goal of the settlement was to equitably spread the cost associated with sourcing gas at Carlton among all of the Market Area customers.

When is the Carlton flow order applicable?

The Carlton Resolution provisions are applicable annually, November 1 through March 31. Reference Tariff Part 8, Section 29.3.

How was the Carlton flow obligation determined?

The Carlton sourcing obligation was determined based on entitlement held by shippers on November 1, 1996, that had a term through at least March 31, 1998, (two winter seasons). The parties that held the entitlement are referred to as Carlton Sourcers. That entitlement was adjusted for any entitlement that included Carlton as the receipt point. This entitlement is referred to as "Other Carlton Entitlement." The 250,000 Dth/day sourcing requirement was then allocated to the Carlton Sourcers on a pro rata basis. The detailed allocation is identified on Tariff Part 8, Section 29.4.

Certain small-volume customers have the right to buy out of its sourcing obligation. This right may be exercised each year by notifying Northern no later than August 1 for the upcoming winter period. The customers and its sourcing obligations are identified on Tariff Part 8, Section 29.3.E. The buyout formula is below.

Sourcing obligation X \$0.19/Dth (estimated value differential between Carlton and Ventura at the time) X 151 winter days

This amount is billed over the five-month heating season.

The sourcing requirements for small-volume customers that elect to buy out of the obligation are allocated on a pro rata basis to the remaining Carlton Sourcers. Thus, the Carlton sourcing obligation is subject to minor changes each year depending upon the elections of the small-volume customers.



Carlton Resolution Frequently Asked Questions

Additionally, Other Carlton Entitlement identified on Tariff Part 8, Section 29.4 is required to source in the same ratio as the base entitlement. That ratio is 7.46%.

What is the Carlton surcharge?

For all Market Area entitlement and interruptible transport that is not part of the sourcing obligation, a commodity surcharge will apply. Based on the order of discounting, this surcharge cannot be discounted until after Northern has discounted its base commodity rate to the minimum tariff rate. The commodity surcharge rate is currently \$0.0175/Dth. The revenue collected from both the surcharge and the buyout will be distributed to the Carlton Sourcers on a pro rata basis by June 1 annually.

What is the purpose of a Carlton Flow Affidavit?

The purpose of a Carlton Flow Affidavit is to allow any Carlton resolution shipper, with a delivery point downstream of Farmington, MN, the opportunity to reduce its delivery at that specific point and receive an associated reduction of its flow obligation at Carlton (POI 388) provided such nomination is at an individual point/TBS level (**and NOT at a zone point**), and the individual delivery point/Market reduction is verifiable by Northern. All contracts used must be point specific.

In the event that a Shipper exercising this provision to reduce its Carlton requirements fails to correspondingly reduce its delivery point/market, such Shipper shall pay a penalty of twenty-five dollars (\$25.00) for each Dth of reduced Carlton requirement that does not have a concomitant reduction in delivery.

What is a Carlton Flow Order?

An operational flow order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service provider's system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.

How does the Carlton flow order work?

Northern posts the required flow order 24 hours before the timely nomination is due during the November – March period. If Northern requires less than the full 250,000 Dth on any given day, it may post the percent of 250,000 Dth that will be required from each Carlton Sourcer.

Carlton Sourcers that have delivery points north of Farmington, Minnesota, may request a reduction in its flow obligation for a day if it has a verifiable reduction in the market requirements. Such Carlton Sourcers must provide an affidavit to verify the market reduction.

Northern may also require a reduction of firm receipts at Carlton if it needs to do so for system integrity purposes. If the flow order causes an imbalance penalty to be incurred, such imbalance penalty will be waived.

During the heating season, Northern will not reduce any nomination for firm receipts at Carlton for any Sourcer or Other Carlton Entitlement Shipper who has a verifiable market or use. Verification of such market or use may be provided by fax or electronically as part of the nomination process or otherwise in the daily routine.



Carlton Resolution Frequently Asked Questions

The penalty for any failure to comply with any of the provisions of the flow order is \$25 for each Dth that is not in compliance.

Who is impacted by the Carlton Resolution?

The provisions of the Carlton Resolution impact every Market Area shipper that transports on Northern in the November – March time frame. Each shipper must either be subject to the sourcing obligation or the surcharge.

What is the tariff reference that describes the Carlton Resolution?

Tariff Part 8, Section 29.3 – 29.5.

Can shippers source Carlton obligation off of other interconnects with Viking and Great Lakes pipelines?

Yes. Carlton Sourcers may source the Carlton obligation at the Viking interconnects of Chisago/Isanti (POI 196), Polk (POI 62983), and/or Pierz (POI 61667), at the Great Lakes interconnects of GRLKS/NNG Grand Rapids (POI 78994) and/or GRLKS/NNG Wakefield (POI 21972) and/or Semco Marquette (POI 79374) (Substitute Carlton Resolution Receipt Points), if operationally feasible as determined by Northern.

How is Carlton Resolution gas considered in a Market Area Group Allocation?

Group #	Group Name	Resolution Gas at Carlton (POI 388)	Non-Resolution Gas at Carlton (Alternate Firm) (POI 388)	Substitute Carlton Resolution Receipt Points
832	Beatrice North Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS
488	Belleville East Allocation Group	NO	NO	NO
1020	Carlton East Allocation Group	NO	NO	PROTECTED - ONLY 1 POINT-GRLKS/NNG Wakefield (POI 21972)
812	Carlton North Allocation Group	NO	NO	PROTECTED - ONLY 1 POINT-GRLKS/NNG Grand Rapids (POI 78994)
811	Carlton South Receipt Allocation Group	PROTECTED	PROTECTED ¹	PROTECTED ¹ - ONLY 2 POINTS GRLKS/NNG Grand Rapids (POI 78994) GRLKS/NNG Wakefield (POI 21972)
487	Earlville East Allocation Group	NO	NO	NO
750	Farmington North Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS
463	Galena East Allocation Group	NO	NO	NO
585	Hubbard East Allocation Group	NO	NO	NO
835	North Branch Allocation Group	PROTECTED	PROTECTED	PROTECTED - ONLY 4 POINTS Viking Chisago/Isanti (POI 196) Viking/NNG Pierz (POI 61667) GRLKS/NNG Grand Rapids (POI 78994) GRLKS/NNG Wakefield (POI 21972)
583	Oakland Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS
581	Ogden North Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS



Carlton Resolution Frequently Asked Questions

Group #	Group Name	Resolution Gas at Carlton (POI 388)	Non-Resolution Gas at Carlton (Alternate Firm) (POI 388)	Substitute Carlton Resolution Receipt Points
775	Palmyra East Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS
740	Palmyra North Allocation Group	NO	NO	NO
1019	Paullina West Allocation Group	NO	NO	NO
836	St Cloud Branch Line Allocation Group	NO	NO	PROTECTED - ONLY 1 POINT - Viking/NNG Pierz (POI 61667)
1021	Ventura North Allocation Group	PROTECTED	PROTECTED	PROTECTED - ALL POINTS
735	Ventura South Allocation Group	NO	NO	NO
773	Waterloo East Allocation Group	NO	NO	NO
809	Welcome North Allocation Group	NO	NO	NO
751	Welcome South Receipt Allocation Group	NO	NO	NO
1018	Willmar Branch Line Allocation Group	NO	NO	NO
866	Worthington BL West Allocation Group	NO	NO	NO

Group #	Zone Name	Resolution Gas at Carlton (POI 388)	Non-Resolution Gas at Carlton (Alternate Firm) (POI 388)	Substitute Carlton Resolution Receipt Points
454	Zone ABC - Allocation Zone Points	NO	NO	NO
456	Zone D - Allocation Zone Points	NO	NO	NO
453	Zone EF - Allocation Zone Points	NO	NO	NO

¹Assume delivery within allocation group

Will the nomination at Substitute Carlton Resolution Receipt Points be considered alternate or primary?

Northern will consider any receipts at Substitute Carlton Resolution Receipt Points towards fulfilling a Carlton Sourcer's Carlton flow obligation. Provided the nomination is to satisfy the sourcing obligation, Northern will schedule the nomination as if it were an alternate receipt if the party does not have primary firm at the point.



Carlton Resolution Frequently Asked Questions

What is the allocation methodology used in group allocations, with the exception of Zone ABC, Zone D and Zone EF group allocations?

- Primary Receipt to Primary Delivery has the highest scheduling priority and would not be allocated
- Primary Receipt to Alternate Delivery and Alternate Receipt to Primary Delivery have the second-highest scheduling priority. These nominations would be allocated pro rata
- Alternate Receipt to Alternate Delivery has the third-highest scheduling priority. These nominations would be allocated pro rata
- Interruptible has the lowest scheduling priority and is allocated by price

Is Carlton Resolution gas protected if Northern allocates into primary firm gas?

No. Carlton Resolution gas is not protected when Northern allocates primary firm gas. Under this scenario all primary firm gas would be subject to a pro rata allocation.

If a Carlton Sourcer uses Substitute Carlton Resolution Receipt Points and an allocation takes place, is the Carlton Sourcer's obligation gas protected?

No. Carlton Sourcers can use the Viking and/or Great Lakes POIs as well as the Semco Marquette point, as alternate receipt points; however, under an allocation scenario if a Carlton Sourcer leaves obligation gas at an alternate point there is a risk of having volumes allocated at the alternate point.

Remember, only the volume covering the Carlton Sourcing Obligation that is nominated as alternate is treated as primary.

Example:

Shipper has a 10,000 contract MDQ, with the following primary receipt entitlements:
5,000 MDQ at Carlton (POI 388)
5,000 MDQ at Ventura (POI 192)

The shipper's Carlton Sourcing Obligation is 6,000 Dth

Shipper nominates all 10,000 Dth at Carlton (POI 388) on a firm transport contract. In an allocation, TMS considers 6,000 Dth as primary firm and 4,000 Dth as alternate.

Northern has to call a Carlton Obligation Day 24 hours before the Timely cycle for the gas day in question. If a Carlton flow order has been called, and the timely nominations are reviewed and a Carlton North allocation is called, can Northern reduce the level of the posted flow order?

No. A Carlton flow order cannot be changed once the timely nomination cycle for the gas day has begun. Northern cannot increase or reduce the Carlton Resolution percentage once 48 hours (i.e., 24 hours prior to the timely nomination deadline) have passed.

When an annual Carlton sourcing obligation changes due to small-volume customer changes, does shipper need to realign its Carlton receipt point to match its revised obligation?

No. Provided the nomination is to satisfy the sourcing obligation, Northern will schedule the nomination as if it were a primary receipt at Carlton.



Carlton Resolution Frequently Asked Questions

How does an agent nominate for its customers to assure Carlton Resolution gas is scheduled to meet the posted flow order for a gas day?

An agent making resolution nominations on behalf of its customers should use the customer's contract to assure the resolution obligation is properly scheduled in the event receipts are allocated at the Carlton interconnect.

If an agent wants to use one of its own contracts to nominate resolution gas on behalf of its customers, the agent must notify Northern two work days in advance of such assignment and must provide the contract number and customer name in order to receive credit for the gas on the Resolution day. (*Please refer to Tariff Part 8, Section 29.3.A.* The agent's contract may be used to nominate its customers' obligated quantity, but it may not have resolution protection and is at risk of being cut if Northern allocates the Carlton interconnect.

Can a shipper assign its Carlton Sourcing Obligation to another shipper?

Yes. Any Sourcer may assign its rights (such as compensation) as well as its sourcing obligation to another shipper subject to notification to Northern two (2) workdays in advance of such assignment. (Tariff Part 8, Section 29.3.A)

How does a shipper assign its Carlton Sourcing Obligation to another shipper?

To assign Carlton sourcing obligation between a group of shippers, a [Carlton Resolution Group Assignment Form](#) must be completed in its entirety and electronically submitted to Northern at NNGContracts@nngco.com no later than two (2) workdays before any such assignment takes effect.

To assign Carlton sourcing obligation between two shippers, a [Carlton Resolution Assignment Form](#) must be completed in its entirety and electronically submitted to Northern at NNGContracts@nngco.com no later than two (2) workdays before any such assignment takes effect.

How is a Carlton Sourcer's flow obligation handled when the Carlton Sourcer releases capacity?

A shipper acquiring Carlton capacity from a Carlton Sourcer also acquires that releasing shipper's resolution obligation during the term of the release and is responsible for meeting the flow obligation. In addition, the primary receipt point of Carlton may not be modified. (*Please refer to Tariff Part 8, Section 29.3.D.*)

If there is a force majeure on a pipeline located upstream of the Substitute Carlton Resolution Receipt Points and a Carlton flow order is called for the gas day, what is required of the Carlton Sourcers?

During a force majeure event, a Carlton Sourcer is obligated to make all reasonable efforts to carry out its Carlton flow obligation. If, during a force majeure event that impacts natural gas supplies at any of the Substitute Carlton Resolution Receipt Points, a Carlton Sourcer is not able to confirm all of its gas supplies at a particular Substitute Carlton Resolution Receipt Point, the Carlton Sourcer may still be able to meet its obligation with supplies using one of the other Substitute Carlton Resolution Receipt Points on an alternate basis. If the Carlton Sourcer is not able to obtain gas supplies to satisfy all its sourcing obligation and all of the operationally available capacity has been scheduled at all of the Substitute Carlton Resolution Receipt Points, no penalty would apply. However, if the maximum operationally available capacity at the Substitute Carlton Resolution Receipt Points has not been fully scheduled with available supply, penalties will be assessed on available quantities pro rata to the Carlton Sourcers that did not meet its Carlton flow obligation.