



Northern Natural Gas Company  
P.O. Box 3330  
Omaha, NE 68103-0330  
402 398-7200

November 30, 2020

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

RE: Northern Natural Gas Company  
Docket No. RP21-\_\_\_\_\_  
Revised Tariff Changes from the Tariff Working Group in Docket No. RP19-  
1353-009

Dear Ms. Bose:

Northern Natural Gas Company (Northern) hereby submits the following tariff sheets for filing with the Federal Energy Regulatory Commission (FERC or Commission) as part of Northern's F.E.R.C. Gas Tariff, Sixth Revised Volume No. 1 (Tariff), to be effective as listed below:

Proposed Effective Date January 1, 2021

Twentieth Revised Sheet No. 53  
Fourth Revised Sheet No. 291A  
Fourth Revised Sheet No. 292

Proposed Effective Date November 1, 2021

Second Revised Sheet No. 148  
Second Revised Sheet No. 291  
Fifth Revised Sheet No. 291A

Statement of Nature, Reason, and Basis for Proposed Tariff Changes

On October 1, 2020, Northern filed revised tariff sheets with the Commission in Docket No. RP21-26-000. The filing followed meetings and collaboration with Northern's customers involved in the Tariff Working Group pursuant to Article X of the July 19, 2020 Stipulation and Agreement of Settlement (Settlement) in Docket Nos. RP19-1353 and RP19-59.<sup>1,2</sup> On October 30, 2020, the Commission issued an order accepting the tariff filing in part and denying it in part (October 30 Order).<sup>3</sup> Specifically, the Commission permitted Northern the right to waive the Carlton Resolution penalties, effective November 1, 2020, but denied the proposed tariff changes to Rate Schedule System Management Service (SMS), daily imbalance tolerances and the changes to Daily Delivery Variance Charges (DDVC). The Commission denied the proposed changes without prejudice, permitting refiling of the proposed changes at a later date.<sup>4</sup> The Commission cited section 154.207 of its regulations requiring pipelines to file proposed tariff changes not less than 30 days nor more than 60 days prior to the proposed effective date, unless waiver is granted by the Commission.<sup>5</sup> In the October 30 Order, the Commission did not find good cause to grant Northern's request to waive section 154.207 and did not address whether the proposed tariff records are just and reasonable. The Commission also encouraged Northern to work with customers to find mutually agreeable tariff changes.

Northern hereby refiles the proposed changes from Docket No. RP21-26-000 as to the DDVC penalty charges and the daily imbalance tolerances.<sup>6</sup> After the October 30 Order was issued, Northern held discussions with the customers who opposed or negatively commented on the previous filing. As a result of those discussions, Northern elects not to refile revisions to Rate Schedule SMS that would limit the availability of the SMS service below maximum daily quantity (MDQ) on Critical Days and System Overrun Limitation (SOL) days. The Northern Municipal Distributors Group<sup>7</sup> and Midwest Regional Gas

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<sup>1</sup> *Northern Natural Gas Company*, Stipulation and Settlement Agreement, Docket No. RP19-1353-009 (June 19, 2020). The Settlement was approved on September 28, 2020 at *Northern Natural Gas Company*, 172 FERC ¶ 61,287 (2020).

<sup>2</sup> Tariff Working Group, as that term is defined in Article II(JJ) of the Settlement.

<sup>3</sup> *Northern Natural Gas Company*, 173 FERC ¶ 61,115 (2020).

<sup>4</sup> See October 30 Order, ¶ 11.

<sup>5</sup> 18 C.F.R. § 154.207

<sup>6</sup> See Northern Natural Gas Co., Docket No. RP21-26-000, for comments filed by customers in support of the initial tariff filing: "Motion to Intervene and Comments of the Northern States Power Companies and Southwestern Public Service Company" at 5 (filed October 13, 2020), "Motion to Intervene and Comments of the CenterPoint Energy Resources Corporation" at 2-3 (filed October 13, 2020), "Motion to Intervene of Flint Hills Resources, LP and Limited Comments in Support" at 2 (filed October 13, 2020) and "Comments of the Upper Midwest Shipper Group" at 1 and 2 (filed October 13, 2020).

<sup>7</sup> Northern Municipal Distributors Group (NMDG) is composed of the following Iowa municipal-distributor customers of Northern: Alton, Cascade, Cedar Falls, Coon Rapids, Emmetsburg, Everly, Gilmore, Graettinger, Guthrie Center, Harlan, Hartley, Hawarden, Lake Park, Manilla, Manning, Orange City, Osage, Preston, Remsen, Rock Rapids, Rolfe, Sabula, Sac City, Sanborn, Sioux Center, Tipton, Waukee, West Bend, Whittemore, and Woodbine.

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Task Force<sup>8</sup> filed comments in RP21-26-000 opposing the proposed changes to SMS, daily imbalance tolerances and DDVC charges. With the elimination of the proposed changes to SMS from the Tariff Working Group, Northern has been advised that the NMDG and MRGTF memberships will now support the proposed changes in the current filing.

SEMCO Energy Gas Company (SEMCO) provided limited comments in RP21-26-000 requesting that should Northern have the ability to limit SMS availability below MDQ, reservation charge credits should be provided. With the elimination of the limitations to SMS below MDQ from these proposed changes, SEMCO's opposition to the remaining changes should be eliminated as well.

Northern held similar follow-up discussions with Exelon Generation Company, LLC (Exelon). Exelon continues to oppose these proposed changes. To the best of Northern's knowledge, Exelon is the only shipper opposed to the currently proposed tariff changes and it represents less than 0.5% of Market Area demand units. Exelon did not provide comments, suggestions, or proposals during the Tariff Working Group process, and Northern first became aware of its concerns when Exelon filed its protest in RP21-26-000 despite the process established in the Settlement. Because Exelon represents the sole opposing party known to Northern at this time, the changes proposed herein to the DDVC penalties and daily imbalance tolerances are the result of substantial agreement among the Tariff Working Group.

Northern requests an effective date of January 1, 2021 for the proposed changes to the DDVC penalty charges and a waiver of Section 154.207 of the Commission's regulations in order to make the proposed changes to the daily imbalance tolerances effective November 1, 2021. Northern's customers specifically requested a delay of the effective date of changes to the daily imbalance tolerances to the beginning of the next winter season in order to make any additional preparations for gas supplies and Northern also requires time to make the required system changes.

Operationally, if customers do not perform the task of providing adequate supplies on peak days (SOL and Critical Days), Northern risks an unsustainable situation where there are more deliveries off the system than receipts into the system. The first negative impacts to deliveries in such a situation occur to deliveries off branch lines made to customers such as municipalities and local distribution companies and to high-pressure deliveries such as electric generation and large end users.

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<sup>8</sup> Midwest Regional Gas Task Force Association (MRGTF) is composed of the following municipal-distributor and local distribution customers of Northern: Austin Utilities, Circle Pines, Community Utility Company, Dooley's Natural Gas, Great Plains Natural Gas Company, Greater Minnesota Gas, Hibbing, Hutchinson, New Ulm, Northwest Natural Gas Company, Owatonna, Round Lake, Sheehan's Gas Company, Inc., Two Harbors, Virginia, and Westbrook, Minnesota; Midwest Natural Gas, Inc., and St. Croix Valley Natural Gas, Wisconsin; Watertown, South Dakota; and the cities of Fremont, Lyons, and Stromsburg, and the Village of Pender Nebraska.

This risk must be met with a proactive plan to provide reliable service, rather than a reaction following delivery problems causing significant harm to system reliability. Northern does not benefit financially from penalties. All penalties collected are returned to shippers annually and Northern is required by Section 57 of the General Terms and Conditions of its Tariff to report all penalties charged and returned to shippers. The sole purpose of changing the calculation of penalties is to ensure system reliability and functionality. Therefore, the proposed changes to the DDVC penalty charges and daily imbalance tolerances are just and reasonable.

Northern made significant modifications and concessions to its rate case tolerance and DDVC proposals during the Tariff Working Group process in response to constructive participation from its customers. The proposed tariff changes in the rate case and for the tariff changes that have resulted from the Tariff Working Group filing herein are supported by the direct testimony of Northern witness Kent Miller in Docket No. RP19-1353 filed July 1, 2019.<sup>9</sup> The Tariff Working Group process was agreed upon in the Settlement of the rate case to develop supportable modifications to these items, with the understanding that agreement among all customers was unlikely. The changes proposed herein are the result of this process and Northern is aware that Exelon is the only shipper in opposition to these changes. The failure of Exelon to participate in the Tariff Working Group should not enable it to completely derail the efforts of all other parties that participated in good faith.

#### Details of the Proposed Changes

Northern proposes the existing DDVC penalty charge rates be modified effective January 1, 2021, to allow for the greater of the existing fixed-priced penalty rate or a multiple of the DDVC rates reflecting the Gas Daily indices that will provide market-relevant prices intended to incent the proper physical supplies on SOL, System Underrun Limitation (SUL) and Critical Days. The proposed modifications to the DDVC penalties provide appropriate price signals to shippers during times when their supply decisions place operational challenges on the pipeline.

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<sup>9</sup> RP19-1353-000 Direct Testimony of Northern Witness Miller, Exhibit No. NNG-00008 at 132-150.

The current Tariff provides the fixed-rate penalties shown in the chart below. These fixed-rate penalties were established many years ago and are not reflective of current volatile pricing at either the next day trading block or subsequent intraday trading blocks. On SOL, SUL and Critical Days, the DDVC penalties are proposed to be the higher of 1) the current fixed-rate penalties stated in Northern’s Tariff or 2) the index multiples using the existing Tariff locations for the Market Area or Field Area using Gas Daily Midpoint prices.

<b>Proposed Penalty (higher of existing fixed-rate or index multiple)</b>	<b>Existing Tariff Rate</b>	<b>Proposed Index Multiple</b>
Standard Days (no SOL, SUL or Critical Day) <ul style="list-style-type: none"> <li>• DDVC</li> </ul>	Max TI Rate	<b>No Index Pricing</b>
SOL <ul style="list-style-type: none"> <li>• Punitive</li> <li>• Positive (5%)</li> </ul>	\$ 16.055 \$ 1.00	<b>2.0x</b> <b>1.25x</b>
Critical <ul style="list-style-type: none"> <li>• Punitive Level II</li> <li>• Punitive Level I (5%)</li> <li>• Positive 3%</li> <li>• Positive 2%</li> </ul>	\$113.00 \$ 56.50 \$ 22.00 \$ 15.00	<b>3.0x</b> <b>2.0x</b> <b>1.75x</b> <b>1.5x</b>
SUL <ul style="list-style-type: none"> <li>• Negative</li> </ul>	\$ 1.00	<b>1.25x</b>

The proposed revisions to the DDVC penalties are reflected in Sheet No. 53 and are referenced in Sheet Nos. 291A and 292 of the tariff sheets requested to become effective on January 1, 2021. The proposed multiples are based on Northern’s observations of the instances where the highest price trade was up to 5.15 times higher than the daily index price.<sup>10</sup> The incurred cost to purchase gas supply for an Intraday nomination cycle will typically exceed the day-ahead index price. The inclusion of the index multiple encourages shippers to purchase supplies even if prices are occurring at levels above the daily average price. In addition, multiples on index-based penalties are common in the industry and are used by other pipelines in their tariffs such as ANR Pipeline Company (PART 5.3.3 – Paragraph 5.a.), Natural Gas Pipeline Company of America LLC (Part 6.12 – Paragraph 12.3-12.4), Northern Border Pipeline Company (Part 6.10.6 –

<sup>10</sup> As a result, Northern filed for index multipliers of 2.5x during an SOL and 5.0x during a Critical Day in Docket No. RP19-1353. Through the Tariff Working Group these multipliers were reduced as noted in the table above. See RP19-1353 Direct Testimony of Northern Witness Kent Miller, Exhibit No. NNG-00008 at 133.

Paragraph h) and, Viking Gas Transmission Company (Part 8.29.1 - Paragraph A). Adding an index-based pricing alternative to the DDVC penalties that were established in years past addresses pricing volatility that happens in the timely market trading period for next-day gas supplies. More importantly, it addresses the pricing volatility that occurs for intra-day gas supplies when shippers find themselves short of supply during these key operating days.

The Tariff currently provides a tolerance of five percent (5%) prior to the application of SMS or DDVCs if shippers have scheduled volumes below their Maximum Daily Quantity (MDQ). The proposal is to modify the tolerance allowed below MDQ to four percent (4%) on SOL days and three percent (3%) on Critical Days but delay the effective date of these proposed changes to November 1, 2021 as agreed to with a substantial number of the Tariff Working Group participants and pursuant to the customers' request because their supply decisions have been made for this winter's heating season and a delay provides them the time to make any changes in their supply portfolios for the 2021-2022 heating season.<sup>11</sup> This delay also allows Northern the time to implement system changes, that are estimated at a minimum to take four months to develop and cost approximately \$100,000. Northern would not undertake this investment of resources without first receiving the Commission's acceptance of the proposed tariff changes. The proposed daily imbalance tolerance changes are reflected on Sheet Nos. 148, 291 and 291A with the proposed effective date of November 1, 2021.

The proposed changes to the daily imbalance tolerances and DDVC penalties, apply only to key operating days when Northern calls SOL, SUL and Critical Days. These days represent an average of 11% of days during a year, including an average of only two Critical Days per year, and are days when Northern's system is most impacted by customers' collective daily imbalances that create operational risk for the pipeline system. No changes are made during the remaining 89% of days during the year.

Any increases in the amount of penalty revenue collected that may occur as a result of these changes do not benefit Northern. Northern refunds all penalty revenue to customers in accordance with Section 57 of the General Terms and Conditions of the Tariff.

In summary, for the specific reasons stated above, the proposed tariff changes are expected to improve system operational reliability on SOL, SUL and Critical Days to the benefit of all customers and therefore, are just and reasonable.

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<sup>11</sup> In comparison, Northern had proposed a 2.5% tolerance on SOL days and no tolerance levels on a Critical Day in Docket No. RP19-1353. This was a further compromise Northern made during the Tariff Working Group process.

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### Waivers

Northern respectfully requests that the Commission grant any and all waivers of the Commission's regulations in order for the proposed changes to become effective on the proposed effective dates, and specifically a waiver of Section 154.207 of the Commission's regulations in order for the proposed changes to the daily imbalance tolerances to become effective November 1, 2021, for good cause as described above. However, if the Commission should not grant a waiver of Section 154.207 to allow the three proposed tariff sheets to go into effect on November 1, 2021, Northern requests the Commission make a finding on the just and reasonableness of those proposed changes, approve as pro forma and require Northern to make a subsequent compliance filing to place the tariff sheets into effect on November 1, 2021.

### Posting

Northern has served an electronic copy of this filing upon its customers and interested state regulatory commissions.

### Marked Version

In accordance with Section 154.201 of the Commission's Regulations, Northern has submitted a marked version of the proposed tariff changes highlighting new additions and showing deletions by strikeout.

### Data Processing Requirements

Northern submits this filing through FERC's electronic tariff filing process in a FERC-approved format.

### Motion

In accordance with Sections 154.7(a)(9) and 154.206(c) of the Commission's Regulations, Northern hereby moves to place the tariff sheets referenced herein in effect as of the end of any suspension period ordered by the Commission.

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Communication

It is respectfully requested that all Commission orders and correspondence, as well as pleadings and correspondence from other persons concerning this filing, be served upon each of the following:

Kirk Lavengood  
Vice President, General Counsel and  
Regulatory Affairs  
Northern Natural Gas Company  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124-1000  
(402) 398-7376  
kirk.lavengood@nngco.com

J. Gregory Porter  
Assistant General Counsel and Chief  
Compliance Officer  
Northern Natural Gas Company  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124-1000  
(402) 398-7406  
greg.porter@nngco.com

Respectfully submitted,

/s/ Kirk Lavengood

Kirk Lavengood  
Vice President, General Counsel and Regulatory Affairs

Attachments

	<u>Commodity</u> <u>Charges</u>
	<u>Nov-Oct</u>
GS-T COMMODITY THROUGHPUT RATE	
Market Area	0.9026 1/ 5/ 7/
Field to Demarcation	0.7260
Field-to-Market	1.6286 1/ 5/
BEAVER COMPRESSION FEE	
Incidental Jurisdictional Compression Fee	0.0400
WATERVILLE STORAGE	
The Market Area transportation rate, Fuel and UAF is charged for delivery to Waterville storage point (POI 922), or other similarly situated third party storage points in the Market Area. If redelivery from Waterville, or other similarly situated third party storage points, is to a Market Area point, there are no additional transportation, Fuel or UAF charges. If the redelivery is to a Field Area delivery point, the Field Area mileage/MID transportation rate and Fuel is charged.	
CAPACITY RELEASE FEE (Rate per transaction)	
Marketing	Negotiated 2/
DAILY DELIVERY VARIANCE CHARGE:	
Non-SOL/SUL/Critical Day	
Positive DDVC	6/
Negative DDVC	6/
Punitive DDVC	6/
SOL Day	
Positive DDVC	greater of 1.0000 or 1.25 times 8/
Negative DDVC	0.0000
Punitive DDVC	greater of 3/ or 2.0 times 8/
SUL Day	
Positive DDVC	0.0000
Negative DDVC	greater of 1.0000 or 1.25 times 8/
Punitive DDVC	0.0000
Critical Day	
Positive/Critical DDVC	
-First 2%	greater of 15.0000 or 1.50 times 8/
-Next 3%	greater of 22.0000 or 1.75 times 8/
Negative DDVC	0.0000
Punitive/Critical DDVC	
-Level I	greater of 56.5000 or 2.0 times 8/
-Level II	greater of 113.0000 or 3.0 times 8/
AUTHORIZED OVERRUN	
TF, TFX, TI and GS-T Rate Schedules	4/
1/ In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <a href="http://www.ferc.gov">http://www.ferc.gov</a> .	
2/ Northern will assess fee only in those instances outlined in Sheet No. 288.	
3/ Charge equal to five (5) times the SMS monthly reservation fee.	
4/ The Authorized Overrun Rate shall be equal to the TI rate for the applicable MID path shown in Sheet Nos. 59-60A.	
5/ In addition, Shipper shall pay the applicable Electric Compression commodity rate as shown in Sheet No. 54.	
6/ The rate will be the maximum November-March Market Area TI Rate during the November-March period, and the maximum April-October Market Area TI Rate during the April-October period.	
7/ There will be no commodity charge for transportation from the Ventura pooling point (POI 78623) to the NBPL/NNG Ventura point (POI 192) and from the Ventura pooling point (POI 78623) to the MID 17 pooling point (POI 71458). In addition, there will be no commodity charge for transportation as set forth in Sheet Nos. 141, 142C and 147.	
8/ The highest published Platts "Gas Daily" Midpoint price on the applicable day at any of the applicable index points of: Market Area - Northern, demarc and Northern, Ventura; or Field Area - Panhandle, Tx.-Okla. and El Paso, Permian.	

GENERAL TERMS AND CONDITIONS

Before issuing a Critical Day notice, an SOL Day will be posted. Prior to posting a Critical Day notice, subject to timing and availability, Northern will use its operating tools to attempt to alleviate the operational concern. Such tools include line pack, operational storage, Carlton Resolution, LNG, and System Balancing Agreements (SBA).

1. Notice. Northern will post the Critical Day notice on its website no later than two and one-half (2 1/2) hours prior to the NAESB Grid Cycle nomination deadlines for the Critical Day Gas Day. The Critical Day will remain in affect for the remainder of the Gas Day. Northern will post a new notice for each subsequent Gas Day, as applicable. The notice will contain the following information:
  - (i) The affected area;
  - (ii) Offending Shipper(s), if known, subject to the Critical Day;
  - (iii) The day and time that the Critical Day will become effective;
  - (iv) The operational variables for the following: line pack and projected long/short gas;
  - (v) Weather forecasts; and
  - (vi) Demarc and MIP prices.
2. Reporting. Northern will post on its Internet website within a reasonable period of time following the conclusion of the Critical Day, a report describing the conditions that required the issuance and the termination of the Critical Day.
3. Critical Day DDVCs. In the event Northern calls a Critical Day, the determination of the volumes subject to Positive DDVC and Punitive DDVC are as set forth above in this Section, and no tolerance will apply above the Shipper's MDQ (including any overrun volumes scheduled) before DDVC's apply. However, the rates such Positive volumes and Punitive volumes are charged shall be the Positive/Critical Day DDVC rates and Punitive/Critical Day DDVC rates, respectively. The first two percent (2%) of Positive/Critical Day DDVC volumes are charged the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 and the next three percent (3%) are charged greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53. The Punitive/Critical Day DDVC rates are also charged at two (2) levels: Level I shall apply to the five percent (5%) of the daily volumes at each delivery point that are in excess of the Positive/Critical DDVC level, and Level II shall apply to any excess volumes above Level I. Level I and II DDVC charges are set forth in Sheet No. 53. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when a Critical Day is called. Small Customer and Bypassing Small Customer Positive/Critical DDVC levels are the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 for the greater of the first 2%, or 260 MMBtu, and the greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53 for the greater of the next 3%, or 390 MMBtu. In addition, when a Critical Day is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers are not subject to the foregoing limitation. In the event Northern posts a Critical Day notice to be effective during the Intraday 1, Intraday 2 or Intraday 3 nomination cycle, Northern will only impose penalties resulting from a Critical Day prospectively. However, should a Critical Day be called during an Intraday 2 or Intraday 3 nomination cycle, Northern will only apply the Critical Day penalty charges to shippers who reduce their nominations in the Intraday 2 or Intraday 3 cycle, but still take volumes in excess of the reduced nomination.

- G. SOL or Critical Day at a Point or Branchline. When an SOL or Critical Day is called at individual point(s) or on a branchline(s) and the affected Shipper(s) have nominated and scheduled volumes at a zone level, the DDVC variance will be the difference between the individual point MDQ as set forth on Appendix B of their Service Agreement and the actual deliveries for each point in the affected area. Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above and SMS when an SOL has been called to a point or Branchline level and Small Customers are not subject to the foregoing limitation.
- H. System Underrun Limitation (SUL). In the event that the pipeline system operating integrity is in jeopardy, an SUL may be called. When an SUL is in effect SMS is available below the throughput scheduled and SMS is available above the scheduled level, however, no five percent (5%) tolerance will apply below the Shipper's scheduled volume before the Positive DDVC's equal to the greater of \$1.00 or 1.25 times the indices as set forth in Sheet No. 53 will apply. However, Small Customer's tolerance and Negative DDVC levels as set forth in paragraph C. above apply at all times, even when an SUL is called.

An SUL may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by branchline, operational zone, Market/Field Area, and up to the entire system, in that order. Northern will post the SUL on the website no later than twenty-seven (27) hours prior to the Gas Day for which SUL will be called. Northern will determine the operating status of the pipeline system using the following criteria: weather forecast; system conditions-line pack, overall projected pressures at monitored locations and storage conditions; facility status-horsepower utilization and availability; and overall send-out projections and availability.

On an SUL day, Northern has the right to require Shippers whose scheduled quantities will contribute to the SUL situation to source their gas at other receipt points on Northern's system. A Shipper will not be required to source their gas at other receipt points if Northern is able to verify and confirm that such Shipper's scheduled quantities are not contributing to the SUL situation. Northern will require Shippers to move in the following order:

1. TI Shippers
2. Firm Shippers utilizing Alternate receipt point(s)
3. Firm Shippers with multiple Primary receipt points on their contract
4. Firm Shippers with a single Primary receipt point on their contract.

Shippers must be within their MDQ. Shippers will be required to move on a pro rata basis within each of the four (4) categories listed above.

Any Shipper required to utilize a different receipt point as stated above, will not be subject to DDVCs for any day that Shipper is required by Northern to move to a different receipt point.

RATE SCHEDULE SMS  
SYSTEM MANAGEMENT SERVICE

1. AVAILABILITY

This Rate Schedule is available to any Shipper with an effective Firm Throughput Service Agreement as contained in Northern's FERC Gas Tariff ("Tariff"). The Shipper must also have an effective System Management Service, Service Agreement (SMS Service Agreement) with Northern in the form included in this Tariff prior to the commencement of service under this Rate Schedule. All throughput related services and rates are applicable as provided in this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

System Management Service (SMS) is a companion service to Firm Throughput Service. SMS is a delivery point service providing no-notice firm delivery above or below the Shipper's daily scheduled amount under its corresponding Firm Throughput Agreement up to the Shipper's SMS entitlement without incurring daily delivery variance charges. The SMS entitlement begins after the applicable tolerance levels set forth in Section 48 of the GENERAL TERMS AND CONDITIONS of this Tariff (Section 48). To the extent Northern authorizes firm Throughput Overrun, SMS will provide tolerance above or below the total scheduled quantity (firm entitlement plus authorized overrun). However, Northern shall have the right to call a System Overrun Limitation (SOL), a Critical Day or a System Underrun Limitation (SUL). The SOL or Critical Day may limit the ability of SMS entitlement to be utilized above the scheduled volume, including overrun, on any given day when such scheduled volume is in excess of firm entitlement.

SMS volumes are the daily volume variance between (i) the amount scheduled at the delivery point, plus or minus the tolerance, and (ii) the amount actually taken at the delivery point unless Northern has called an SOL or Critical Day.

SMS is not available above MDQ if a Critical Day has been called. Effective February 1, 2005, if an SOL has been called, SMS may not be available above the MDQ, unless SMS coverage above MDQ has been authorized. When Northern calls an SOL, Northern will also indicate the level of SMS service if any, authorized to be made available above MDQ. If SMS above the MDQ is offered, Northern will post on its website the percentage of SMS that may be utilized above MDQ, ranging from 0-100%. The website posting of available SMS service levels will be made concurrently with the SOL declaration. The 5% tolerance will not be available on volumes above the MDQ on SOL or Critical Days. The tolerance on volumes below the MDQ will be up to 4% not to exceed the MDQ on an SOL and up to 3% not to exceed MDQ on a Critical Day. If SMS coverage above MDQ has not been authorized, SMS coverage will not be available unless throughput overrun has been scheduled in which case SMS is available below the scheduled level.

If a SUL has been called, SMS is available below the throughput scheduled and SMS is available above the scheduled level. However, no five percent (5%) tolerance will apply below the Shipper's scheduled volume before the positive DDVC's apply. However, Small Customers tolerance and negative DDVC levels, as set forth in Section 48, apply at all times, even when an SUL, SOL or Critical Day is called. SMS volumes are charged the SMS commodity charge. SMS service allows the Shipper to exceed its firm entitlement, up to the SMS quantity, unless an SOL or Critical Day has been called. In addition to the SMS demand and commodity charges, all applicable throughput charges will also be assessed.

Also, see Section 48 of the GENERAL TERMS AND CONDITIONS of this Tariff, "Daily Delivery Variance Charges (DDVC)," which sets forth how SMS service operates in conjunction with DDVCs.

3. SMS QUANTITIES

The Shipper may contract for any level of SMS (SMSQ) for an annual period up to a maximum of the entitlement level of the corresponding Firm Throughput Agreement. SMS must be designated for the zone or delivery points as stated in the corresponding Firm Throughput Agreement and, upon written request prior to gas flow, is eligible at an alternate point(s).

48. Daily Delivery Variance Charges (DDVC)

- C. Negative DDVC. Unless an SOL has been called (as described below), the Negative DDVC shall apply to the daily volumes at each delivery point which are less than the sum of all daily volumes scheduled at the point, after a tolerance of five percent (5%) of all daily volumes scheduled at the point has been considered. The tolerance for Small Customers who have not bypassed Northern's system is the greater of five percent (5%) of all daily volumes scheduled at the point or 650 MMBtu. The tolerance level for Bypassing Small Customers shall be equal to the Bypassing Small Customer's MDQ. If Shipper has subscribed to service under Rate Schedule SMS, the Negative DDVC applies only to the actual volumes taken that are less than the scheduled volumes, less the sum of the tolerance and the SMSQ.
- D. Punitive DDVC. The Punitive DDVC shall apply to the daily volumes at each delivery point that are in excess of the Positive DDVC level as determined above.
- E. System Overrun Limitation (SOL). In the event that the pipeline system operating integrity is in jeopardy, an SOL may be called for all or part of the SMS entitlement above MDQ. When an SOL is in effect SMS may not be available above the MDQ. Any decision by Northern to call an SOL will also involve a decision on the level of SMS service that would be authorized above MDQ. If SMS is offered, Northern will post on its website the percentage of SMS that may be utilized above the MDQ, ranging from 0-100%. The website posting of available SMS service levels will be made concurrently with the SOL declaration. If throughput overrun has been scheduled during an SOL, SMS is available below the scheduled level, but the five percent (5%) tolerance will not apply above the Shipper's MDQ (including any overrun volumes scheduled) before the Positive or Punitive DDVC's apply. The tolerance on scheduled volumes below the MDQ will be up to four percent (4%) not to exceed the MDQ on an SOL. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when an SOL is called. In addition, when an SOL is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ and no SMS is being authorized above the MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers and Bypassing Small Customers are not subject to the foregoing limitation.

An SOL may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by branchline, operational zone, Market/Field Area, and up to the entire system, in that order. Northern will post the SOL on the website no later than 3:00 p.m. CST of the gas day for which SOL has been called. Northern will determine the operating status of the pipeline system using the following criteria: weather forecast; system conditions-line pack, overall projected pressures at monitored locations and storage conditions; facility status-horsepower utilization and availability; and overall send-out projections and availability. In the event any or all of these criteria cause Northern's operating condition to severely deteriorate, a Critical Day may be called in Northern's sole discretion.

- F. Critical Day. Northern shall have the right to post a Critical Day notice in order (i) to alleviate conditions which threaten the integrity of its pipeline system, (ii) to maintain pipeline operations at the pressures required to provide an efficient and reliable firm transportation service to Shippers, and (iii) to maintain its pipeline system in balance for the foregoing purposes. A Critical Day may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by a branchline, operational zone, Market/Field Area, and up to the entire system, in that order. When possible, Northern will limit the Critical Day notice to the offending Shipper(s). The following events and/or operational variables could cause Northern to issue or end a Critical Day:
- (i) weather forecast;
  - (ii) system conditions including line pack;
  - (iii) overall projected pressures at monitored locations;
  - (iv) storage conditions; and
  - (v) facility status including horsepower utilization and availability.

Before issuing a Critical Day notice, an SOL Day will be posted. Prior to posting a Critical Day notice, subject to timing and availability, Northern will use its operating tools to attempt to alleviate the operational concern. Such tools include line pack, operational storage, Carlton Resolution, LNG, and System Balancing Agreements (SBA).

1. Notice. Northern will post the Critical Day notice on its website no later than two and one-half (2 1/2) hours prior to the NAESB Grid Cycle nomination deadlines for the Critical Day Gas Day. The Critical Day will remain in affect for the remainder of the Gas Day. Northern will post a new notice for each subsequent Gas Day, as applicable. The notice will contain the following information:
  - (i) The affected area;
  - (ii) Offending Shipper(s), if known, subject to the Critical Day;
  - (iii) The day and time that the Critical Day will become effective;
  - (iv) The operational variables for the following: line pack and projected long/short gas;
  - (v) Weather forecasts; and
  - (vi) Demarc and MIP prices.
  
2. Reporting. Northern will post on its Internet website within a reasonable period of time following the conclusion of the Critical Day, a report describing the conditions that required the issuance and the termination of the Critical Day.
  
3. Critical Day DDVCs. In the event Northern calls a Critical Day, the determination of the volumes subject to Positive DDVC and Punitive DDVC are as set forth above in this Section, and no tolerance will apply above the Shipper's MDQ (including any overrun volumes scheduled) before DDVC's apply. The tolerance on scheduled volumes below MDQ will be up to 3% not to exceed MDQ on a Critical Day. However, the rates such Positive volumes and Punitive volumes are charged shall be the Positive/Critical Day DDVC rates and Punitive/Critical Day DDVC rates, respectively. The first two percent (2%) of Positive/Critical Day DDVC volumes are charged the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 and the next three percent (3%) are charged greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53. The Punitive/Critical Day DDVC rates are also charged at two (2) levels: Level I shall apply to the five percent (5%) of the daily volumes at each delivery point that are in excess of the Positive/Critical DDVC level, and Level II shall apply to any excess volumes above Level I. Level I and II DDVC charges are set forth in Sheet No. 53. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when a Critical Day is called. Small Customer and Bypassing Small Customer Positive/Critical DDVC levels are the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 for the greater of the first 2%, or 260 MMBtu, and the greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53 for the greater of the next 3%, or 390 MMBtu. In addition, when a Critical Day is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers are not subject to the foregoing limitation. In the event Northern posts a Critical Day notice to be effective during the Intraday 1, Intraday 2 or Intraday 3 nomination cycle, Northern will only impose penalties resulting from a Critical Day prospectively. However, should a Critical Day be called during an Intraday 2 or Intraday 3 nomination cycle, Northern will only apply the Critical Day penalty charges to shippers who reduce their nominations in the Intraday 2 or Intraday 3 cycle, but still take volumes in excess of the reduced nomination.

	<u>Commodity Charges</u>		
	<u>Nov-Oct</u>		
GS-T COMMODITY THROUGHPUT RATE			
Market Area	0.9026	1/	5/ 7/
Field to Demarcation	0.7260		
Field-to-Market	1.6286	1/	5/
BEAVER COMPRESSION FEE			
Incidental Jurisdictional Compression Fee	0.0400		

WATERVILLE STORAGE

The Market Area transportation rate, Fuel and UAF is charged for delivery to Waterville storage point (POI 922), or other similarly situated third party storage points in the Market Area. If redelivery from Waterville, or other similarly situated third party storage points, is to a Market Area point, there are no additional transportation, Fuel or UAF charges. If the redelivery is to a Field Area delivery point, the Field Area mileage/MID transportation rate and Fuel is charged.

CAPACITY RELEASE FEE (Rate per transaction)

  Marketing Negotiated 2/

DAILY DELIVERY VARIANCE CHARGE:

Non-SOL/SUL/Critical Day

Positive DDVC	1.0000	6/
<del>Positive/Critical DDVC</del>		
<del>-First 2%</del>	15.0000	
<del>-Next 3%</del>	22.0000	
Negative DDVC	0.4000	6/
Punitive DDVC	3/	6/
<del>Punitive/Critical DDVC</del>		
<del>-Level I</del>	56.5000	
<del>-Level II</del>	113.0000	

SOL Day

Positive DDVC	greater of 1.0000 or 1.25 times 8/
Negative DDVC	0.0000
Punitive DDVC	greater of 3/ or 2.0 times 8/

SUL Day

Positive DDVC	0.0000
Negative DDVC	greater of 1.0000 or 1.25 times 8/
Punitive DDVC	0.0000

Critical Day

Positive/Critical DDVC	
-First 2%	greater of 15.0000 or 1.50 times 8/
-Next 3%	greater of 22.0000 or 1.75 times 8/
Negative DDVC	0.0000
Punitive/Critical DDVC	
-Level I	greater of 56.5000 or 2.0 times 8/
-Level II	greater of 113.0000 or 3.0 times 8/

AUTHORIZED OVERRUN

  TF, TFX, TI and GS-T Rate Schedules 4/

- 1/ In addition, Shipper shall pay the ACA unit surcharge as posted on FERC's website at <http://www.ferc.gov>.
- 2/ Northern will assess fee only in those instances outlined in Sheet No. 288.
- 3/ Charge equal to five (5) times the SMS monthly reservation fee.
- 4/ The Authorized Overrun Rate shall be equal to the TI rate for the applicable MID path shown in Sheet Nos. 59-60A.
- 5/ In addition, Shipper shall pay the applicable Electric Compression commodity rate as shown in Sheet No. 54.
- 6/ ~~On non-SOL/SUL/Critical Days~~ The rate will be the maximum November-March Market Area TI Rate during the November-March period, and the maximum April-October Market Area TI Rate during the April-October period.
- 7/ There will be no commodity charge for transportation from the Ventura pooling point (POI 78623) to the NBPL/NNG Ventura point (POI 192) and from the Ventura pooling point (POI 78623) to the MID 17 pooling point (POI 71458). In addition, there will be no commodity charge for transportation as set forth in Sheet Nos. 141, 142C and 147.

8/ The highest published Platts "Gas Daily" Midpoint price on the applicable day at any of the applicable index points of: Market Area - Northern, demarc and Northern, Ventura; or Field Area - Panhandle, Tx.-Okla. and El Paso, Permian.

GENERAL TERMS AND CONDITIONS

Before issuing a Critical Day notice, an SOL Day will be posted. Prior to posting a Critical Day notice, subject to timing and availability, Northern will use its operating tools to attempt to alleviate the operational concern. Such tools include line pack, operational storage, Carlton Resolution, LNG, and System Balancing Agreements (SBA).

1. Notice. Northern will post the Critical Day notice on its website no later than two and one-half (2 1/2) hours prior to the NAESB Grid Cycle nomination deadlines for the Critical Day Gas Day. The Critical Day will remain in affect for the remainder of the Gas Day. Northern will post a new notice for each subsequent Gas Day, as applicable. The notice will contain the following information:
  - (i) The affected area;
  - (ii) Offending Shipper(s), if known, subject to the Critical Day;
  - (iii) The day and time that the Critical Day will become effective;
  - (iv) The operational variables for the following: line pack and projected long/short gas;
  - (v) Weather forecasts; and
  - (vi) Demarc and MIP prices.
2. Reporting. Northern will post on its Internet website within a reasonable period of time following the conclusion of the Critical Day, a report describing the conditions that required the issuance and the termination of the Critical Day.
3. Critical Day DDVCs. In the event Northern calls a Critical Day, the determination of the volumes subject to Positive DDVC and Punitive DDVC are as set forth above in this Section, and no tolerance will apply above the Shipper's MDQ (including any overrun volumes scheduled) before DDVC's apply. However, the rates such Positive volumes and Punitive volumes are charged shall be the Positive/Critical Day DDVC rates and Punitive/Critical Day DDVC rates, respectively. The first two percent (2%) of Positive/Critical Day DDVC volumes are charged the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 and the next three percent (3%) are charged greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53. The Punitive/Critical Day DDVC rates are also charged at two (2) levels: Level I shall apply to the five percent (5%) of the daily volumes at each delivery point that are in excess of the Positive/Critical DDVC level, and Level II shall apply to any excess volumes above Level I. Level I and II DDVC charges are set forth in Sheet No. 53. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when a Critical Day is called. Small Customer and Bypassing Small Customer Positive/Critical DDVC levels are the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 for the greater of the first 2%, or 260 MMBtu, and the greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53 for the greater of the next 3%, or 390 MMBtu. In addition, when a Critical Day is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers are not subject to the foregoing limitation. In the event Northern posts a Critical Day notice to be effective during the Intraday 1, Intraday 2 or Intraday 3 nomination cycle, Northern will only impose penalties resulting from a Critical Day prospectively. However, should a Critical Day be called during an Intraday 2 or Intraday 3 nomination cycle, Northern will only apply the Critical Day penalty charges to shippers who reduce their nominations in the Intraday 2 or Intraday 3 cycle, but still take volumes in excess of the reduced nomination.

- G. SOL or Critical Day at a Point or Branchline. When an SOL or Critical Day is called at individual point(s) or on a branchline(s) and the affected Shipper(s) have nominated and scheduled volumes at a zone level, the DDVC variance will be the difference between the individual point MDQ as set forth on Appendix B of their Service Agreement and the actual deliveries for each point in the affected area. Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above and SMS when an SOL has been called to a point or Branchline level and Small Customers are not subject to the foregoing limitation.
- H. System Underrun Limitation (SUL). In the event that the pipeline system operating integrity is in jeopardy, an SUL may be called. When an SUL is in effect SMS is available below the throughput scheduled and SMS is available above the scheduled level, however, no five percent (5%) tolerance will apply below the Shipper's scheduled volume before the Positive DDVC's equal to the greater of \$1.00 or 1.25 times the indices as set forth in Sheet No. 53~~rate~~ will apply. However, Small Customer's tolerance and Negative DDVC levels as set forth in paragraph C. above apply at all times, even when an SUL is called.

An SUL may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by branchline, operational zone, Market/Field Area, and up to the entire system, in that order. Northern will post the SUL on the website no later than twenty-seven (27) hours prior to the Gas Day for which SUL will be called. Northern will determine the operating status of the pipeline system using the following criteria: weather forecast; system conditions-line pack, overall projected pressures at monitored locations and storage conditions; facility status-horsepower utilization and availability; and overall send-out projections and availability.

On an SUL day, Northern has the right to require Shippers whose scheduled quantities will contribute to the SUL situation to source their gas at other receipt points on Northern's system. A Shipper will not be required to source their gas at other receipt points if Northern is able to verify and confirm that such Shipper's scheduled quantities are not contributing to the SUL situation. Northern will require Shippers to move in the following order:

1. TI Shippers
2. Firm Shippers utilizing Alternate receipt point(s)
3. Firm Shippers with multiple Primary receipt points on their contract
4. Firm Shippers with a single Primary receipt point on their contract.

Shippers must be within their MDQ. Shippers will be required to move on a pro rata basis within each of the four (4) categories listed above.

Any Shipper required to utilize a different receipt point as stated above, will not be subject to DDVCs for any day that Shipper is required by Northern to move to a different receipt point.

RATE SCHEDULE SMS  
SYSTEM MANAGEMENT SERVICE

1. AVAILABILITY

This Rate Schedule is available to any Shipper with an effective Firm Throughput Service Agreement as contained in Northern's FERC Gas Tariff ("Tariff"). The Shipper must also have an effective System Management Service, Service Agreement (SMS Service Agreement) with Northern in the form included in this Tariff prior to the commencement of service under this Rate Schedule. All throughput related services and rates are applicable as provided in this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

System Management Service (SMS) is a companion service to Firm Throughput Service. SMS is a delivery point service providing no-notice firm delivery above or below the Shipper's daily scheduled amount under its corresponding Firm Throughput Agreement up to the Shipper's SMS entitlement without incurring daily delivery variance charges. The SMS entitlement begins after the applicable tolerance levels set forth in Section 48 of the GENERAL TERMS AND CONDITIONS of this Tariff (Section 48). To the extent Northern authorizes firm Throughput Overrun, SMS will provide tolerance above or below the total scheduled quantity (firm entitlement plus authorized overrun). However, Northern shall have the right to call a System Overrun Limitation (SOL), a Critical Day or a System Underrun Limitation (SUL). The SOL or Critical Day may limit the ability of SMS entitlement to be utilized above the scheduled volume, including overrun, on any given day when such scheduled volume is in excess of firm entitlement.

SMS volumes are the daily volume variance between (i) the amount scheduled at the delivery point, plus or minus the tolerance, and (ii) the amount actually taken at the delivery point unless Northern has called an SOL or Critical Day.

SMS is not available above MDQ if a Critical Day has been called. Effective February 1, 2005, if an SOL has been called, SMS may not be available above the MDQ, unless SMS coverage above MDQ has been authorized. When Northern calls an SOL, Northern will also indicate the level of SMS service if any, authorized to be made available above MDQ. If SMS above the MDQ is offered, Northern will post on its website the percentage of SMS that may be utilized above MDQ, ranging from 0-100%. The website posting of available SMS service levels will be made concurrently with the SOL declaration. The 5% tolerance will not be available on volumes above the MDQ on SOL or Critical Days. The tolerance on volumes below the MDQ will be up to 4% not to exceed the MDQ on an SOL and up to 3% not to exceed MDQ on a Critical Day. If SMS coverage above MDQ has not been authorized, SMS coverage will not be available unless throughput overrun has been scheduled in which case SMS is available below the scheduled level.

If a SUL has been called, SMS is available below the throughput scheduled and SMS is available above the scheduled level. However, no five percent (5%) tolerance will apply below the Shipper's scheduled volume before the positive DDVC's apply. However, Small Customers tolerance and negative DDVC levels, as set forth in Section 48, apply at all times, even when an SUL, SOL or Critical Day is called. SMS volumes are charged the SMS commodity charge. SMS service allows the Shipper to exceed its firm entitlement, up to the SMS quantity, unless an SOL or Critical Day has been called. In addition to the SMS demand and commodity charges, all applicable throughput charges will also be assessed.

Also, see Section 48 of the GENERAL TERMS AND CONDITIONS of this Tariff, "Daily Delivery Variance Charges (DDVC)," which sets forth how SMS service operates in conjunction with DDVCs.

3. SMS QUANTITIES

The Shipper may contract for any level of SMS (SMSQ) for an annual period up to a maximum of the entitlement level of the corresponding Firm Throughput Agreement. SMS must be designated for the zone or delivery points as stated in the corresponding Firm Throughput Agreement and, upon written request prior to gas flow, is eligible at an alternate point(s).

48. Daily Delivery Variance Charges (DDVC)

- C. Negative DDVC. Unless an SOL has been called (as described below), the Negative DDVC shall apply to the daily volumes at each delivery point which are less than the sum of all daily volumes scheduled at the point, after a tolerance of five percent (5%) of all daily volumes scheduled at the point has been considered. The tolerance for Small Customers who have not bypassed Northern's system is the greater of five percent (5%) of all daily volumes scheduled at the point or 650 MMBtu. The tolerance level for Bypassing Small Customers shall be equal to the Bypassing Small Customer's MDQ. If Shipper has subscribed to service under Rate Schedule SMS, the Negative DDVC applies only to the actual volumes taken that are less than the scheduled volumes, less the sum of the tolerance and the SMSQ.
- D. Punitive DDVC. The Punitive DDVC shall apply to the daily volumes at each delivery point that are in excess of the Positive DDVC level as determined above.
- E. System Overrun Limitation (SOL). In the event that the pipeline system operating integrity is in jeopardy, an SOL may be called for all or part of the SMS entitlement above MDQ. When an SOL is in effect SMS may not be available above the MDQ. Any decision by Northern to call an SOL will also involve a decision on the level of SMS service that would be authorized above MDQ. If SMS is offered, Northern will post on its website the percentage of SMS that may be utilized above the MDQ, ranging from 0-100%. The website posting of available SMS service levels will be made concurrently with the SOL declaration. If throughput overrun has been scheduled during an SOL, SMS is available below the scheduled level, but the five percent (5%) tolerance will not apply above the Shipper's MDQ (including any overrun volumes scheduled) before the Positive or Punitive DDVC's apply. The tolerance on scheduled volumes below the MDQ will be up to four percent (4%) not to exceed the MDQ on an SOL. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when an SOL is called. In addition, when an SOL is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ and no SMS is being authorized above the MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers and Bypassing Small Customers are not subject to the foregoing limitation.

An SOL may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by branchline, operational zone, Market/Field Area, and up to the entire system, in that order. Northern will post the SOL on the website no later than 3:00 p.m. CST of the gas day for which SOL has been called. Northern will determine the operating status of the pipeline system using the following criteria: weather forecast; system conditions-line pack, overall projected pressures at monitored locations and storage conditions; facility status-horsepower utilization and availability; and overall send-out projections and availability. In the event any or all of these criteria cause Northern's operating condition to severely deteriorate, a Critical Day may be called in Northern's sole discretion.

- F. Critical Day. Northern shall have the right to post a Critical Day notice in order (i) to alleviate conditions which threaten the integrity of its pipeline system, (ii) to maintain pipeline operations at the pressures required to provide an efficient and reliable firm transportation service to Shippers, and (iii) to maintain its pipeline system in balance for the foregoing purposes. A Critical Day may be called for all or part of the system by localizing the smallest affected area, beginning with individual points, followed by a branchline, operational zone, Market/Field Area, and up to the entire system, in that order. When possible, Northern will limit the Critical Day notice to the offending Shipper(s). The following events and/or operational variables could cause Northern to issue or end a Critical Day:
- (i) weather forecast;
  - (ii) system conditions including line pack;
  - (iii) overall projected pressures at monitored locations;
  - (iv) storage conditions; and
  - (v) facility status including horsepower utilization and availability.

Before issuing a Critical Day notice, an SOL Day will be posted. Prior to posting a Critical Day notice, subject to timing and availability, Northern will use its operating tools to attempt to alleviate the operational concern. Such tools include line pack, operational storage, Carlton Resolution, LNG, and System Balancing Agreements (SBA).

1. Notice. Northern will post the Critical Day notice on its website no later than two and one-half (2 1/2) hours prior to the NAESB Grid Cycle nomination deadlines for the Critical Day Gas Day. The Critical Day will remain in affect for the remainder of the Gas Day. Northern will post a new notice for each subsequent Gas Day, as applicable. The notice will contain the following information:
  - (i) The affected area;
  - (ii) Offending Shipper(s), if known, subject to the Critical Day;
  - (iii) The day and time that the Critical Day will become effective;
  - (iv) The operational variables for the following: line pack and projected long/short gas;
  - (v) Weather forecasts; and
  - (vi) Demarc and MIP prices.
  
2. Reporting. Northern will post on its Internet website within a reasonable period of time following the conclusion of the Critical Day, a report describing the conditions that required the issuance and the termination of the Critical Day.
  
3. Critical Day DDVCs. In the event Northern calls a Critical Day, the determination of the volumes subject to Positive DDVC and Punitive DDVC are as set forth above in this Section, and no tolerance will apply above the Shipper's MDQ (including any overrun volumes scheduled) before DDVC's apply. The tolerance on scheduled volumes below MDQ will be up to 3% not to exceed MDQ on a Critical Day. However, the rates such Positive volumes and Punitive volumes are charged shall be the Positive/Critical Day DDVC rates and Punitive/Critical Day DDVC rates, respectively. The first two percent (2%) of Positive/Critical Day DDVC volumes are charged the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 and the next three percent (3%) are charged greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53. The Punitive/Critical Day DDVC rates are also charged at two (2) levels: Level I shall apply to the five percent (5%) of the daily volumes at each delivery point that are in excess of the Positive/Critical DDVC level, and Level II shall apply to any excess volumes above Level I. Level I and II DDVC charges are set forth in Sheet No. 53. However, Small Customer and Bypassing Small Customer tolerances and positive DDVC levels as set forth in paragraph B.4 above apply at all times, even when a Critical Day is called. Small Customer and Bypassing Small Customer Positive/Critical DDVC levels are the greater of \$15/MMBtu or 1.5 times the indices as set forth in Sheet No. 53 for the greater of the first 2%, or 260 MMBtu, and the greater of \$22/MMBtu or 1.75 times the indices as set forth in Sheet No. 53 for the greater of the next 3%, or 390 MMBtu. In addition, when a Critical Day is in effect, if the sum of the scheduled volume on all of Shipper's firm and interruptible Throughput Service Agreements is equal to or greater than the Shipper's MDQ, then the tolerance is not available above the MDQ level. However, in such case, SMS is available up to the Shipper's MDQ. Further, Small Customers and Bypassing Small Customers retain their use of tolerance and positive DDVC levels as set forth in paragraph B.4 above, and SMS on SOL or Critical Days, and Small Customers are not subject to the foregoing limitation. In the event Northern posts a Critical Day notice to be effective during the Intraday 1, Intraday 2 or Intraday 3 nomination cycle, Northern will only impose penalties resulting from a Critical Day prospectively. However, should a Critical Day be called during an Intraday 2 or Intraday 3 nomination cycle, Northern will only apply the Critical Day penalty charges to shippers who reduce their nominations in the Intraday 2 or Intraday 3 cycle, but still take volumes in excess of the reduced nomination.