

Carlton Obligation Tariff Work Group

- The objective of this Work Group **is to replace** the legacy Carlton obligation and framework with a new, tariff-based, mechanism, that:
 - **is non-discriminatory** for Carlton shippers
 - **supports NNG's 250,000 Dth** flow requirement
 - is a **long-term solution** to that requirement
 - **can continue to employ a surcharge framework**



Current Carlton Resolution

- **Four Pillars of Current Carlton Mechanism (Tariff §29.c)**
 - **Carlton Sourcer Obligation:** Obligates the Sourcers (Shippers that held firm entitlement from 11/1/96 through 03/31/98) to receive 250,000 Dth/d at Carlton.
 - **Small Customer Buyout Option:** Small Customers with a Sourcer obligation have an annual right to buy out of their Sourcer Obligation.
 - **Carlton Surcharge:** All Market Area entitlement not identified in the Adjusted Current Peak Entitlement at Carlton on Schedule 1 to §29.c including all other Market Area TF, TFX, and TI is subject to a Carlton Surcharge (\$0.0175/Dth). Surcharges collected are disbursed by Northern to the Sourcers to offset the obligation/cost of sourcing gas at Carlton.
 - **Carlton Flow Order / Penalty:** Northern can require Sourcers to increase or reduce receipts up to 250,000 Dth/day at Carlton . Any Sourcer failing to meet a Carlton flow order is subject to a \$25.00 / Dth penalty.



UMSG Proposal

- **Eliminate the “Carlton Sourcer Obligation”** (obligation applicable to Shippers that held firm entitlement from 11/1/96 through 03/31/98)
- **Eliminate Small Customer Buyout Option**
(Un-necessary with elimination of Sourcer Obligation)
- **Review continued need for Carlton Surcharge Payment / Redistribution**
- **Modify Flow Order / Penalty provision to apply to all shippers that hold Carlton as a firm primary receipt point.**
 - NNG retains the ability to utilize a flow order for up to 250,000 Dth/day
 - Calculated annually, each current and future Carlton Shipper would be assigned a pro rata portion of the 250,000 Dth/day need based on each shipper’s November 1 Carlton receipt MDQ as a portion of total November 1 Carlton receipt MDQs
 - Shippers retain the ability to meet their requirement with receipts at Carlton, Chisago, Pierz, Wakefield, Grand Rapids, Marquette and Polk
 - Applicable period remains November through March



Timing and Example

- **Why do this now?**

- Opportunity and timing:
 - Captured in the pending Settlement framework
 - Can be effectuated 11/01/2020
 - In-place, “tested” before next Section 4 proceeding
 - Commodity pricing does put new participants at a disadvantage

- **Example**

- 2019-20 Legacy Shipper A Carlton Obligation: 10,000 Dth/day
- Carlton Obligation Receipt MDQ: 250,000 Dth/day
- 2019-20 Total Carlton Receipt MDQ: 433,762 Dth/day
- Revised 2020-21 Shipper A Carlton Obligation: 5,764 Dth/day
 - $250,000 / 433,762 * 10,000 = 5,764$ Dth/day

