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“We are in business to serve our customers. Fairly. Efficiently. Reliably.”
Message from Mark Hewett
Northern continually strives to earn the position of being a partner with each of our customers. Our mutual goal of reliability in the services we provide is paramount, and Northern’s commitment to reliable service is evident in the significant investment we have undertaken to modernize and maintain our system over the past several years and into the future. This investment, combined with the day-to-day dedication of our employees, is the foundation for the industry-leading reliability and customer service you expect and deserve.

This issue of Northern Notes includes updates on the pending rate proceedings, Northern’s asset modernization efforts, and successes regarding expansion work, throughput records and environmental achievements. While Northern did not desire to be in a rate case at this time, we are confident that the result will be a balanced outcome for both Northern and its customers. We welcome dialogue with our business counterparts to address items in the rate case and to advance the case efficiently, driven by our common interest in maintaining the highly reliable and flexible service that Northern provides.

Northern’s team is dedicated to providing exceptional customer service. We work every day knowing that we must earn your business and your trust.

Thank you for your business and partnership.

FERC Admits to Flaw in Section 5 Rate Case Calculation; Consolidated with Section 4 Rate Case
On August 14, 2019, Northern filed its answering testimony in the section 5 proceeding. Northern demonstrated that no rate reduction will occur as a result of the section 5 rate proceeding, and that staff’s testimony, reflecting the correction of its error, would result in an 18% rate increase in the Market Area.

On September 12, an order was issued consolidating the section 4 and section 5 proceedings; however, the section 5 proceeding was not terminated. Because no rate increase can be effectuated in a section 5 rate investigation, and given the consolidation of the section 5 and 4 schedules, Northern continues to believe that termination of the section 5 is the most logical conclusion.

Northern’s customers have enjoyed 15 years of rate stability. Since its last rate case in 2004, Northern has invested more than twice its rate base with no rate increase for customers. Northern’s investment in non-revenue generating capital has substantially exceeded its depreciation expense every year since its last rate case, while maintaining industry-leading customer satisfaction and unparalleled system reliability.
Northern’s Section 4 Rate Case

Northern filed its section 4 rate case July 1, 2019. By order issued July 31, 2019, FERC confirmed the proposed rate increases will be permitted to go into effect January 1, 2020, subject to refund. Proposed rate increases are available here: Section 4 Rate Summary.

Northern has proposed a number of service changes that are intended to simplify existing services and address current operational and price risks. Service proposals that are expected to take effect January 1, 2020, will be addressed at a technical conference September 24, 2019, at 10 a.m. EDT at FERC’s office in Washington, D.C. The following proposed service changes are subject to the outcome of the technical conference:

- Modification of open season posting procedures to require posting of only the winning bid rather than all bids
- Changes regarding operational balancing agreements
- Removal of obsolete gas processing provisions
- Revisions to Rate Schedule FDD to (1) remove the list of storage points from the tariff because those points are posted on the website; and (2) clarify that account balance transfers are not allowed during capacity allocations
- Changes to allow customers to resolve prior period adjustments using the imbalance-to-storage resolution option
- Removal of the required levels for System Balancing Agreements and adding alternative agreements
- Various housekeeping changes to facilitate the above changes, eliminate obsolete provisions and correct grammar

The majority of Northern’s proposed service changes will not go into effect until after FERC issues a final decision following a hearing or a settlement is reached; however, Northern will effectuate a reduction of the Carlton surcharge to $0.00 effective January 1, 2020.

Northern is interested in customer feedback regarding the rate case proposals and looks forward to discussing items of interest to you at your convenience. If you have any questions or comments, or would like to schedule a discussion, please contact your Northern account representative.

COMMONLY ASKED QUESTIONS ABOUT THE RATE CASES

Why didn’t Northern propose rate increases sooner, so the proposed increase would not be so substantial?

In 2014-2015, Northern proposed a recovery mechanism that would have been a small charge added to tariff reservation rates, increasing over time as investment accumulated. The proposal was called Asset Modernization Investment Recovery, or AMIR. Many customers were interested in the proposal, but ultimately rejected it, preferring a rate case proceeding as the method for cost recovery.

What was the AMIR proposal?

The AMIR proposal would have permitted Northern to recover cost of service on specified investments for system modernization and integrity for a defined period of time using Northern’s existing cost of service factors, including depreciation, return and applicable taxes. Customers had the right to terminate the future increases to the charge at any time and retained rights regarding challenges to certificate applications and prudency of projects. Other protections for customers included a cap on total spending, a minimum number of billing units for calculation of the AMIR surcharge, and a commitment to ongoing non-revenue generating capital spending.
The Northern Lights 2019 expansion project will provide more than 130,000 Dth/day of incremental firm transportation service to customers in the Twin Cities and Rochester areas of Minnesota. In order to provide this service, Northern will add more than 30,000 horsepower of new mainline compression, nearly 32 miles of pipeline and modifications to several measurement stations and regulators. Northern’s associated capital investment will exceed $200 million.

The growth is continuing at a steady pace. Northern is currently holding an open season for a 2021 Northern Lights project and one for a 2021 expansion of the West Leg portion of the Market Area. Both open season notices can be found on Northern’s website under non-critical notices.

Northern’s core principles are of the utmost importance, and expansion projects are an area of our business where each core principle shines through. **Financial strength** enables Northern to invest the capital required to add facilities required to meet customer needs on a timely basis. **Operational excellence** is apparent from start to finish from project planning phases, to design, procurement, construction coordination and ongoing facility maintenance and associated system reliability. **Environmental respect** is demonstrated through the right of way and permitting processes, and Northern’s strong relationships with local, state and federal environmental agencies. **Regulatory integrity** is demonstrated through Northern’s timely and detailed filings with FERC, and the resulting consistent authorization of our proposed expansion projects. **Employee commitment** is demonstrated by employees throughout the company, at every level and in every department, who work hard to ensure every expansion project is safely and successfully implemented. Most importantly, **customer service** rankings have held strong at number one in the industry through the negotiation and contracting of more than 1 Bcf of expansion-related incremental service since 2007. For this, we have our customers to thank! We truly value each customer’s business, and the personal relationships with all of our customers that have grown over the years. We are committed to maintaining these relationships for many years to come, as our customers’ businesses continue to grow.

**Rochester Project Nears Completion**

Construction crews are working seven days a week to complete the Rochester expansion project. This project will meet the incremental growth requirements for Rochester, Minnesota. This capital project includes the installation of 12 miles of 16-inch-diameter greenfield pipeline, the relocation of regulators and the construction of a new Rochester delivery station. Construction is on time, and will be complete by November 1, 2019.
Records Set for Field Area Power Plant Deliveries

Since July 29, 2019, Northern has set the top 10 Field Area power plant daily delivery records, including a new record of 0.457 Bcf on August 9, 2019. The table below shows the top 10 Field Area power plant delivery records, all set this past summer.

<table>
<thead>
<tr>
<th>Date</th>
<th>Temp Actual</th>
<th>Temp Normal</th>
<th>Field Area Load (Bcf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 9</td>
<td>73</td>
<td>71</td>
<td>0.457</td>
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<tr>
<td>August 5</td>
<td>75</td>
<td>72</td>
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<td>August 13</td>
<td>70</td>
<td>71</td>
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<td>August 4</td>
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<td>August 6</td>
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<td>August 8</td>
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</tr>
<tr>
<td>July 29</td>
<td>70</td>
<td>72</td>
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</tr>
<tr>
<td>August 3</td>
<td>75</td>
<td>72</td>
<td>0.427</td>
</tr>
</tbody>
</table>

Temperatures shown are system-weighted and in degrees Fahrenheit.

Northern has, year to date, experienced a 42.6% increase in Field Area power plant average daily deliveries for 2019 compared to the yearly average for 2018, and a 92.3% increase over 2017. The graph below illustrates the year-by-year growth.

This growth would not be possible without the reliable performance by both Northern’s field operations and gas control teams adhering to the core principle of operational excellence.

Asset Modernization Update

Since late 2014, Northern has been communicating with its customers regarding the need to modernize certain facilities that are nearing the end of their useful lives, and providing details and updates on this initiative. Recently, as a result of further collaborative discussions and in response to additional customer feedback, Northern posted its Asset Modernization Report that describes and explains the necessity of the Asset Modernization investment that Northern has made and will continue to make over the next 10 years to ensure the safety and reliability of Northern’s system.

The Asset Modernization program is intended to avoid the integrity risks that have plagued other operators and eliminate reliability risks associated with facilities that are nearing the end of their useful life. Northern classifies its Asset Modernization projects into five broad project classifications: (1) Pipeline Assessment; (2) Compression Replacement; (3) LNG Equipment Replacement; (4) Underground Storage Integrity; and (5) Vintage Pipeline Replacement.

This report also provides background as to why these assets must be modernized as well as detailed capital expenditure plans sorted by the five project classifications. Northern plans to update this report annually to provide customers with timely information.

On September 6, 2019, FERC issued an order approving Northern’s application to abandon a segment of its 24-inch-diameter A-line, a vintage pipeline, between Palmyra, Nebraska, and Ogden, Iowa.

Vintage pipeline replacement is an important component of Northern’s asset modernization initiative and will eliminate safety risks from leaks and pipeline stress.

The capacity that will be lost from the abandonment has been transferred to recently completed extensions and looping of existing main lines.
We will deliver on time what we promise.

Northern Receives WasteWise Award from EPA

The U.S. Environmental Protection Agency has named Northern as a 2018 regional award winner for the agency’s WasteWise program. The recognition is a key element of the agency’s Sustainable Materials Management Program, which explores new opportunities to reduce environmental impacts, conserve resources and reduce costs. Northern, which was recognized for its efforts in waste reduction and recycling, was one of two winners in the Midwest region.

In one year, Northern diverted more than 1.97 million pounds of material from landfills by recycling paper, cardboard, aluminum, plastic and other products typically found in office and warehouse environments.

In its field operations, the company routinely and efficiently recycles used oil, glycol and solvents. In 2019, from one project alone, Northern diverted more than 7,900 pounds of steel from an industrial waste site by decontaminating presumed PCB-contaminated small-diameter piping, substantially reducing waste volume and allowing the steel piping to be recycled.

The award from the Environmental Protection Agency affirms the achievements made by Northern and illustrates the company’s excellence as it is aligned with the corporate principle of Environmental Respect.

Have You Met … Chris Halfman?

Chris Halfman, a senior facility planner for Northern, spends his professional time plotting out outage requirements for the expansion and replacement of pipeline facilities. In his personal time, he has spent considerable time on a project that few would contemplate undertaking. Halfman is the builder, owner and operator of his own personal aircraft.

Halfman’s interest in aircraft building and flying began while working in Hesston, Kansas. One of his co-workers at the time owned his own aircraft – using the aircraft to teach flying lessons and renting the airplane to other pilots.

Halfman purchased the tail kit in November 2004. As he recollects, “The first time you put an airplane together, you start to realize what a big project it can be. It is like having a second job. You have to have time, commitment and money.” Persistence paid off and Halfman completed his first flight in his plane August 10, 2014.

His aircraft is a Van’s Aircraft RV-7A. The plane is made mostly of aluminum construction held together with approximately 14,000 solid rivets. The plane is powered by an O-360, 185-horsepower Lycoming aircraft engine and has a ground-adjustable carbon fiber propeller. The avionics are visual flight rules only; however, Halfman states, “I’ve got my sights on getting the equipment and rating for instrument flight rules flying.”

The aircraft is a side-by-side two-seater configuration, so only one other person than the pilot can be in the airplane. The plane has a true airspeed of 156 knots (180 mph) burning about eight gallons of fuel per hour. The farthest he has flown his plane is from Omaha to Oshkosh, Wisconsin, a trip that takes just under two and one-half hours. The aircraft can be flown at cruising speed for just over four hours.

Halfman earned a bachelor’s degree in mechanical engineering from Iowa State University. He worked in oil blending and combine harvester sheet metal design before starting with Northern in 2007, where he started in the engineering department. Halfman has worked in facility planning for the past seven and one-half years, completing tasks that keep him firmly grounded between flights in his personal aircraft.
Customer Commitment

Northern's Vision Statement
To be the preferred provider of natural gas transportation and storage services based on our integrity, operational excellence, financial strength and environmental responsibility.

Northern's Mission Statement
We are in business to serve our customers. Fairly. Efficiently. Reliably.

These statements mean that:
· We will deliver on time what we promise.
· We will share the purpose behind our actions.
· We will commit to making it easy to do business with us.
· We will negotiate and perform in good faith.
· We will continue to invest in the pipeline in order to provide you highly reliable service and to meet your future growth needs.

Helping You Manage Your Business
Northern offers many services and has access to a wide range of supply basins to help you manage your business easily and efficiently. Many of Northern's systems and procedures have been streamlined to make the business Northern does, and the information Northern shares, timely and accurate.

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Out of Area: 866-810-5268

Questions or comments
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Feedback and suggestions
To provide feedback about Northern Notes, or suggestions of newsworthy topics to cover in this electronic publication, contact Vickie Wonder at Vickie.Wonder@nngco.com.