

GENERAL TERMS AND CONDITIONS

4) Best Offer

Northern will determine which bid constitutes the best offer by determining the highest economic unit value (per dekatherm of capacity) to Northern. A calculation based on rate, term and quantity will be used to determine the highest economic unit value, utilizing the FERC interest rate. The comparative economic unit value of each bid will be determined by calculating the Net Present Value (NPV) of the incremental revenues of each offer over either the term of the offer or five (5) years, whichever is less, and then dividing by the quantity of the respective bid. However, if the bid is at maximum rate and the term is more than five (5) years, the entire term will be considered in determining the economic unit value. The best bid will be the bid with the highest net present value (NPV). The NPV is the discounted cash flow of incremental revenues per dekatherm to Northern for service. Incremental revenues are those revenues above and beyond the current revenues which Northern already receives from reservation charges being paid prior to the bid period. Northern will utilize the NPV calculation based on rate, term and quantity to determine the highest incremental revenues per dekatherm. The NPV calculation shall include only revenues generated by the reservation rate or a guaranteed throughput volume. In those cases where one or more bidders is willing to pay the maximum recourse reservation rate, the NPV used in such cases is capped at, and may not exceed, the NPV equal to the maximum reservation rate available to recourse shippers.

For purposes of determining the best bid and allocating capacity, shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

In the event equivalent offers are submitted, the capacity will be made available on a pro rata basis to the equal bidders. Should any one of the equal bidders veto their pro rata allocation of the capacity, Northern will then conduct a lottery to select the winning bidder, who will then, if the bid is not matched under Section 5) below, be allotted its requested capacity. The remainder of said capacity, if any, will be available to the other equal bidder(s) on a pro rata basis, which will again trigger the veto/lottery selection process.

In the event that Northern is conducting an open season for generally available FDD capacity at the same time as the FDD Right of First Refusal process, Northern will allocate bids at maximum rates first to generally available FDD capacity and then on a pro rata basis to FDD Right of First Refusal capacity. Northern will include in the posting the allocation parameters for bids at less than maximum rates. In no event will Northern be required to enter into an Agreement at less than maximum rates.

Northern will post the name of the winning bidder on the website for a period of no less than five (5) work days. The winning bidder must execute a Service Agreement within fifteen (15) days of Northern's tender thereof.