

GENERAL TERMS AND CONDITIONS

57. PENALTY AND DDVC REVENUE CREDITING MECHANISM

1. Crediting Mechanism

- a. Northern will credit all penalty and DDVC revenues collected that exceed the representative level of penalty revenue reflected in the design of the currently effective Recourse Rates, including interest per the Commission's regulations to Shippers as described below. In the commodity invoice for the production month of January of each year, Northern will credit all penalty and DDVC revenues collected for the immediately preceding Summer Season time period. In the commodity invoice for the production month of June of each year, Northern will credit all penalty and DDVC revenues collected for the immediately preceding Winter Season time period. Northern will add any Carlton penalty credit to Carlton Sourcer Shippers' annual Carlton Reimbursement, following the end of the heating season. Northern will add other penalty credits to Shippers' February commodity invoices. If a Shipper is no longer a customer of Northern, then the Shipper will receive payment by check. Northern will not issue a check for Shipper credits totaling less than \$50 for the year.

2. Allocation Method

- a. Daily Delivery Variance Charges and Curtailment Penalty. DDVC charges (positive, negative, punitive & critical) collected pursuant to Section 48, penalties collected pursuant to Section 19.A.2, and Section 19.A.5 of the GENERAL TERMS AND CONDITIONS of this Tariff will be credited to firm and interruptible Shippers as follows: Shippers who are subject to daily delivery variance charges (Shippers who take the swing at delivery points on Northern's system) will receive an allocated portion of the DDVC dollars collected. Northern will prorate the DDVC dollars based on a weighted value equal to the total annual scheduled volume at the delivery points that are subject to DDVCs where each Shipper takes the swing, multiplied by a percent equal to 100% minus the percent of the total DDVC dollars paid by each Shipper. For allocating DDVC revenue credits for the Winter Season, the annual scheduled quantities for the trailing 12 months ended March 31 will be used. For allocating DDVC revenue credits for the Summer Season, the annual scheduled quantities for the trailing 12 months ended October 31 will be used. Volumes at pooling points and points subject to OBAs are not subject to DDVCs. In the event the amount refunded from a previous period changes (e.g., due to a dispute), the DDVC revenue credits will be adjusted to account for the change in the subsequent DDVC revenue credit filing(s).
- b. Receipt Point and Supply Shortfall and Excess Penalties. Receipt Point and Supply Shortfall and Excess penalties collected pursuant to Section 31 of the GENERAL TERMS AND CONDITIONS of this Tariff will be credited to firm and interruptible Shippers as follows: Shippers that operate contiguous, onshore receipt points that do not have an OBA will receive a credit. Northern will prorate the receipt point penalty dollars based on a weighted value equal to the total annual scheduled volume at the receipt points operated by the Shipper, multiplied by a percent equal to 100% minus the percent of the total receipt point and supply shortfall penalty dollars paid by each Shipper.
- c. Carlton Penalty. Penalties collected pursuant to Section 29(c) of the GENERAL TERMS AND CONDITIONS of this Tariff will be credited to Carlton Sourcers as follows: each will receive an allocated portion of the Carlton Penalty dollars collected. Northern will prorate the Carlton Penalty dollars based on a weighting value equal to the total Carlton Resolution flow obligation of the Carlton Resolution Shipper multiplied by a percentage equal to 100% minus the percent of the total Carlton Resolution penalty dollars paid by the Shipper for the year.