

5. RATE SCHEDULE SMS – SYSTEM MANAGEMENT SERVICE

A. Availability

This Rate Schedule is available to any Shipper with an effective Firm Throughput Service Agreement as contained in Northern's FERC Gas 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.

B. 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 (1) the amount scheduled at the delivery point, plus or minus the tolerance, and (2) 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. 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.

C. 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).

D. Rates and Charges

The rates and charges for service under this Rate Schedule shall include each of the following:

1. Reservation Charge

The reservation rate is set forth in Part 4, Section 5. The monthly charge is equal to the reservation rate multiplied by the SMS entitlement in effect for the respective month.

2. Commodity Charge

The commodity rate is set forth in Part 4, Section 5. The monthly charge is equal to the commodity rate multiplied by the sum of the daily volume variances. Daily volume variance is any difference between (a) the absolute value of the difference between the volume amount scheduled at the delivery point, and the volume amount actually taken at the delivery point for the day up to the amount of SMS contract quantity, and (b) the applicable tolerance levels set forth in Section 48.

E. SMS Agreements

The Shipper must execute an SMS Service Agreement which will be linked to a specific companion Firm Throughput Service Agreement. The SMS Service Agreement term must match the companion Firm Throughput Service Agreement term unless such agreement exceeds five (5) years.

F. General Terms and Conditions

The GENERAL TERMS AND CONDITIONS of this Tariff are hereby incorporated herein by reference and made a part of this Rate Schedule.