

29.3 Carlton Resolution

Up to 250,000 Dth/day of gas is needed at Northern's interconnect with Great Lakes Gas Transmission Company at Carlton, Minnesota (Carlton) in order to meet firm Market Area requirements. The following Tariff provisions are provided for in the Carlton Stipulation and Agreement of Settlement filed in Docket No. RP96-347 on October 28, 1996 (Settlement) and Docket No. RP01-382. Northern will reappraise the need for the 250,000 Dth/day on an annual basis prior to the commencement of the heating season.

A. Allocation of Sourcing Requirement at Carlton

All firm Market Area entitlement existing as of November 1, 1996 with a term in effect through March 31, 1998, excluding Other Carlton Entitlement and firm entitlement associated with the Coal Gasification Plant, currently in effect for the full five (5) months of the heating season (Sourcers) will be required to source volumes at Carlton in the amount shown on Schedule 1 of the Settlement, (and may be reallocated pursuant to Subpart 29.3.B. below).

Carlton includes other operationally feasible receipt points that resolve the Carlton situation as determined by Northern may be utilized by Sourcers in place of Carlton.

Other Carlton Entitlement, also shown on Schedule 1 of the Settlement, is entitlement held by Shippers at Carlton above the current Carlton Resolution amount of 250,000.

Any Sourcer may assign its rights (such as compensation) as well as its sourcing obligation to another Shipper subject to notification to Northern two (2) Workdays in advance of such assignment.

B. Buyout

The Parties listed on Appendix B of the Carlton Settlement (Appendix B Parties) may elect to buy out of the sourcing obligation each year. The amount to be paid to buyout shall be equal to \$0.083 for the heating season commencing November 1, 2001 through March 31, 2002 and \$0.19 for each heating season thereafter times their daily sourcing obligation as set forth on Schedule 1, times 151 days for each Heating Season. The Appendix B Parties buying out of the obligation are required to notify Northern no later than August 1 each year. Sourcers on Schedule 1 will be updated annually for the limited purpose of reflecting any reallocation as a result of the Appendix B election using the entitlement currently stated on Schedule 1 (Subsection 29.5 herein after referred to as "Schedule 1A"). All dollars collected from Appendix B Parties will be reimbursed on a pro rata basis to the Sourcers and except for Appendix B Parties that have bought out, which will be as shown on Schedule 1A, based on their new Carlton Resolution Obligation as stated on Schedule 1A.

The buyout costs described above will be billed monthly during the heating season to the respective Appendix B Party.

All dollars collected in this Subpart 29.3.B., including dollars related to the Carlton Commodity Surcharge in Subpart 29.3.C. hereof, will be recorded in a separate subaccount and will accumulate interest from the date collected as prescribed by the Commission in 18 CFR 154.501(d).

C. Surcharge

The Carlton Commodity Surcharge will be \$0.0175. All Market Area entitlement not identified in the Adjusted Current Peak Entitlement at Carlton on Schedule 1 (excluding Other Carlton Entitlement) including all other Market Area TF, TFX, and TI will be subject to the Carlton Commodity Surcharge. To the extent Northern is unable to charge the maximum commodity rate, Northern will discount the base commodity rate as allowed per the Tariff first. Further, the Sourcers on Schedule 1 will remain Sourcers until the expiration of their contracts. Upon any rollover of such contracts, the entitlement in Schedule 1 will remain subject to the sourcing obligation and will not be subject to the Carlton Commodity Surcharge. Any entitlement for a Shipper which is in addition to the entitlement reflected on Schedule 1, as well as any entitlement for an Other Carlton Shipper which is in addition to the entitlement reflected on Schedule 1 for Other Carlton Entitlement Shippers, will be subject to the Carlton Commodity Surcharge.

All Carlton Commodity Surcharge dollars will be reimbursed on a pro rata basis to Sourcers based on their new Carlton Resolution Obligation as stated on Schedule 1, including Appendix B Parties that exercise the buyout provision, on or before June 1 of each year. On or before July 1 of each year Northern will file a report with the Commission detailing the amounts reimbursed pursuant to Subparts 29.3.B. and 29.3.C. The amount of Northern's reimbursement to each Sourcer shall be subject to Commission review and approval. Any Northern Shipper or other party shall have the opportunity, after Notice by the Commission, to intervene and protest Northern's report related to the report period, including the appropriateness of the amounts which have been collected.

D. Flow Orders

Northern needs the ability to call on volumes to flow at Carlton. The following operational requirements apply during the months of November through March for each year that the Carlton Resolution is in effect to the Carlton Sourcers and the Other Carlton Shippers Entitlement as applicable.

An operational flow order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of Northern's system or to maintain operations required to provide efficient and reliable firm service. Whenever Northern experiences these conditions, any pertinent order will be referred to as an Operational Flow Order.

Northern has the right to require an increase or reduction of firm receipts at Carlton on a non-discriminatory basis for system integrity. The phrase, "for system integrity," means that Northern has the right to require, in resolving the Carlton problem, an increase or decrease of receipts at Carlton on a non-discriminatory basis in order for Northern to meet its contractual firm delivery obligations downstream of Farmington up to a maximum of 250,000 Dth/day as provided for under the Settlement. Northern will schedule the nominated volume in accordance with its Tariff as further provided herein. In the event that an increase in flow is needed, Northern shall call on the volume on a pro rata basis. In the event Northern calls on the volume, Northern shall also require the Other Carlton Entitlement to flow an amount equal to the percentage of the volume Northern has called on to the Total Current Peak Entitlement on Schedule 1, times their Primary Receipt Point capacity at Carlton. This Other Carlton Entitlement shall not be required to nominate or flow less than or more than the Shipper's market requirements and/or uses.

A Carlton Sourcer or Other Carlton Shipper with a delivery point downstream of Farmington may reduce its deliveries at that specific point and receive a concomitant reduction in its requirement to receive its specified level of volumes at Carlton provided such Shipper's nomination is at an individual point/TBS level and the individual delivery point/market reduction is verifiable. To the extent a Shipper has the right and utilizes zone nominations, if such Shipper nominates to reduce its obligation by reducing deliveries to a qualified delivery point in the zone, all nominations for the

respective zone must be at the individual point/TBS level. Verification of the market reduction will be via affidavit which may be provided by fax or electronically as part of the nomination process. In the event a Shipper exercising this provision to reduce its Carlton requirements fails to correspondingly reduce its delivery point/market, such Shipper shall pay a penalty of twenty-five dollars (\$25.00) for each Dth of reduced Carlton requirement that does not have a concomitant reduction in delivery.

During the heating season, Northern will not reduce any nomination for firm receipts at Carlton for any Sourcer or Other Carlton Entitlement Shipper who has a verifiable market or use. Verification of such market or use may be provided by fax or electronically as part of the nomination process or otherwise in the daily routine.

When Northern requires an increase in firm receipts at Carlton, Northern will notify the appropriate parties to flow no later than twenty-four (24) hours prior to Northern's Timely Nomination deadline. When Northern requires a decrease in firm receipts at Carlton, Northern will notify the appropriate parties to decrease flow no later than twenty-four (24) hours prior to Northern's Timely Nomination deadline.

No Carlton Sourcer will be required to flow at Carlton for the purpose of allowing Northern to avoid curtailment, as defined in Northern's Tariff, of TI service.

If, as a result of the operational flow requirements being invoked by Northern at Carlton, those Shipper(s) for whom flow modifications were required, incur an imbalance penalty related solely to such flow change, the imbalance penalty shall be waived.

If any Sourcer releases any portion of the Volume, the Carlton flow obligation and all other obligations follow the Volume. In addition, the Primary Receipt Point may not be modified.

In the event that any Sourcer fails to comply with Northern's flow requirements to increase or reduce firm receipts at Carlton, for any reasons other than force majeure on an upstream pipeline, such Shipper shall pay a penalty of twenty-five dollars (\$25.00) for each Dth that does not comply with Northern's flow requirements to increase or reduce.

Northern reserves the right to waive any Carlton penalty in a not unduly discriminatory manner. Northern will post the date, amount, and reason for the waiver on its website for a 30-day period for any waived Carlton penalty. Penalty revenues shall be credited to Shippers in accordance with Section 57 of the GENERAL TERMS AND CONDITIONS of this Tariff.

All parameters described above for Other Carlton Entitlement or Sourcers will be outside of Northern's normal scheduling and curtailment parameters.

E. Sourcers with Option to Buyout

Appendix B

**MARKET AREA ENTITLEMENT - 1996
 SOURCERS WITH OPTION TO BUYOUT**

	Shipper Legal Entity Name	New Carlton Resolution Company Obligation
	Austin Utilities	950
*	Cascade Municipal Utilities	82
	Cedar Falls Utilities	958
*	Circle Pines Utilities	210
*	City of Gilmore, IA	22
	City of Hartley, IA	82
*	City of Hawarden, IA	142
*	City of Remsen, IA	93
*	City of Rolfe, IA	35
	City of Round Lake, MN	10
*	City of Sac City, IA	94
*	City of Sanborn, IA	75
	City of Sioux Center	141
*	City of Tipton, IA	133
*	City of Two Harbors, MN	191
*	City of Virginia, MN	184
*	City of Waukee	55
*	City of West Bend, IA	71
	City of Whittemore, IA	37
*	Community Utility Company	71
	Coon Rapids Municipal Utilities	68
*	Emmetsburg Municipal Gas Works	198
*	Graettinger Municipal Gas	42
*	Guthrie Center Municipal Utilities	110
	Harlan Municipal Utilities	205
	Hibbing Public Utilities Commission	241
	Hutchinson Utility Commission	1,354
*	Lake Park Municipal Utilities	35
*	Manilla Municipal Gas Department	39
	Manning Municipal Gas Department	72
	New Ulm Public Utilities Commission	435
	Northern States Power Company of Wisconsin (Natural Gas, Inc.)	291
	Northwest Natural Gas LLC	210
	Osage Municipal Utilities	118
	Owatonna Public Utilities	785
	Preston Municipal Natural Gas Department	45
*	Rock Rapids Municipal Utilities	71
	St Croix Valley Natural Gas	537
*	Semco Energy, Inc d/b/a Semco Energy Gas (Peninsular)	314
*	Sheehan's Gas Company	124
	Superior Water Light & Power	1,006
*	Town of Brooklyn	39
*	Town of Sabula	29
	Watertown Municipal Utilities	471
	Westbrook Light & Power	28
*	Woodbine Municipal Natural Gas Systems	65
	TOTAL UNITS	10,568

* GST Customers not required to realign receipt points.