

46. CREDITWORTHINESS

Prior to execution of a Service Agreement, providing for service under any Rate Schedule, a Shipper or a prospective shipper (hereinafter in this Section 46 jointly referred to as "Shipper") shall be required to establish creditworthiness with Northern. Northern shall not be required to: (1) execute a Service Agreement providing for service under the applicable Rate Schedule on behalf of any Shipper who fails to meet Northern's standards for creditworthiness; or (2) initiate service to a Shipper who fails to meet Northern's standards for creditworthiness; or (3) continue transportation service on behalf of any Shipper who is or has become insolvent or who, at Northern's request, fails within a reasonable period to demonstrate creditworthiness.

For purposes herein, the determination of Shipper's creditworthiness shall be based upon the level of service requested by Shipper and Shipper's estimated financial strength as defined by a credit rating of investment grade, defined as a rating of at least "BBB-" by Standard & Poor's Rating Group (Standard & Poor's), a rating of at least "Baa3" by Moody's Investors Service, Inc. (Moody's), a rating of at least "BBB-" by Fitch Ratings (Fitch) (collectively "Minimum Rating"), and if Shipper is at the Minimum Rating, the Shipper's Short-Term and Long-Term Outlook or Credit Watch must be Stable or Positive from Standard & Poor's, Moody's and Fitch; or for Canadian Shippers not rated by Standard & Poor's, Fitch, or Moody's, a rating of at least "BBB(low)" by Dominion Bond Rating Service (Dominion) and the Canadian Shipper's Short-Term and Long-Term Outlook or Credit Watch is Stable or Positive from Dominion. To the extent Shipper is rated by multiple agencies, the lower rating applies. If Shipper is not rated by Standard & Poor's, Moody's, Fitch, or Dominion, a determination of a Shipper's creditworthiness shall be based upon (at the Shipper's election) (1) the credit rating assigned to the Shipper's parent company (if the parent company is creditworthy it must provide a written guarantee in a form satisfactory to Northern), or (2) a credit rating, as evaluated by Northern, based upon the level of service requested by Shipper and financial analysis criteria and ratios which are generally acceptable in the natural gas industry. If Northern determines that Shipper does not have an acceptable rating as set forth above, Shipper may, at its own expense, obtain a private rating from Standard & Poor's, Moody's, Fitch, or Dominion, or, as an alternative, request that an independent certified public accountant, mutually acceptable to Shipper and Northern, prepare an equivalent evaluation based on the financial analysis criteria and ratios which are generally acceptable in the natural gas industry. In addition, to establish creditworthiness Shipper must confirm in writing that Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. Northern's creditworthiness provisions shall not supersede applicable bankruptcy laws. Northern will provide Shipper written notice of the reasons it has been deemed non-creditworthy at the same time that Northern provides the notification to Shipper that it has been deemed non-creditworthy.

If a Shipper otherwise fails to establish or maintain creditworthiness as provided herein, Shipper may still receive service under the applicable Rate Schedule provided it furnishes and maintains for the term of:

- (1) any Firm Service Agreement:
 - (a) written guarantee in a form satisfactory to Northern from a third party which is creditworthy as determined above;
 - (b) an irrevocable standby letter of credit from a financial institution acceptable to Northern in an amount not to exceed a rolling 3 months (or, at Shipper's option, the highest 3 months) of reservation charges under the contract plus an amount equal to the highest monthly imbalance volume owed by shipper during the previous 12 months, valued at up to the highest basis adjusted NYMEX futures price in the next 12 month period;

- (c) cash in the amount not to exceed a rolling 3 months (or, at Shipper's option, the highest 3 months) of reservation charges under the contract plus an amount equal to the highest monthly imbalance volume owed by the shipper during the previous 12 months valued at up to the highest basis adjusted NYMEX futures price in the next 12 month period; or
- (d) other security acceptable to Northern.

In the event Northern constructs new lateral facilities to accommodate a Shipper, Northern may require additional Security in an amount up to the Shipper's proportionate share in the cost of the facilities. In the event a Shipper defaults and its service is terminated, Northern shall mitigate damages from the default and reduce the Security retained from the defaulting Shipper through methods such as netting the difference between the highest net present value of any replacement contract entered into for the terminated capacity and the net present value of the remaining term of the defaulting Shipper's contract at the time of the default; or

(2) any Interruptible Service Agreement:

- (a) a written guarantee in a form satisfactory to Northern from a third party which is creditworthy as determined above;
- (b) an irrevocable standby letter of credit from a financial institution acceptable to Northern in an amount not to exceed 3 months of estimated service charges, including the value of gas related to gas loaned under deferred delivery Rate Schedules and the value of gas under the ILD Rate Schedule, plus an amount equal to the highest monthly volume of imbalance owed by the shipper during the previous 12 months valued at up to the highest basis adjusted NYMEX futures price in the next 12 month period;
- (c) cash in an amount not to exceed 3 months of estimated service charges, including the value of gas related to gas loaned under deferred delivery Rate Schedules and the value of gas under the ILD Rate Schedule, plus an amount equal to the highest monthly volume of imbalance owed by the shipper during the previous 12 months valued at up to the highest basis adjusted NYMEX futures price in the next 12 month period; or
- (d) other security acceptable to Northern.

Security, as set forth in (1) and (2) above, is hereinafter referred to as "Security."

For purposes of cash Security under either (1)(c) or (2)(c) above, Shipper may designate an interest-bearing escrow account to be established and owned by Northern. Shipper shall be entitled to receive the interest on the cash Security held in the account.

For purposes of "Security" under this Section 46, the value of gas shall be based on an amount up to the highest of (1) the basis adjusted NYMEX futures price or the posted Midpoint Price for "Northern, demarc" as published in the Daily Price Survey of the "Gas Daily," whichever is applicable for the withdrawal period, (2) the average monthly basis adjusted NYMEX futures price during the next 12 calendar month period, or (3) the basis adjusted NYMEX futures price for the period of injection. In addition, the value of gas that may be included in Security shall be limited to: (a) the outstanding value of any gas loaned to a Shipper, (b) the value of 2 months of gas delivered under the ILD Rate Schedule, (c) the value of the gas to be loaned for the upcoming month, and/or (d) the value of gas to be delivered pursuant to the ILD Rate Schedule for the upcoming month. This means that the Shipper shall provide such Security to Northern for the

value of gas that has already been loaned and/or delivered pursuant to the ILD Rate Schedule and/or one month's value of storage gas to be loaned and/or LNG to be delivered.

If the value of either imbalance gas, storage gas loaned to Shipper, or gas delivered pursuant to the ILD Rate Schedule decreases after Security has been provided, Shipper may agree that Northern may continue to hold such Security. Additionally, security levels shall not be revised more than weekly.

To permit Northern to conduct a creditworthiness review, a Shipper shall, upon request by Northern, render to Northern: (1) a completed credit application, and (2) complete financial statements prepared in accordance with generally accepted accounting principles or, for non-U.S.-based Shippers, prepared in accordance with equivalent principles. Upon requesting transportation service, Northern may require a Shipper to submit a completed credit application unless it has previously submitted such to Northern within the last twelve (12) months. If a Shipper elects to provide an irrevocable standby letter of credit or cash Security, the completed credit application and financial statement requirement is waived by Northern.

Northern shall have the right to review a Shipper's creditworthiness on an ongoing basis and Shipper shall provide, upon Northern's request, updated financial statements periodically in order to determine the continuing creditworthiness of a Shipper. Shipper shall have at least 3 Business Days to respond to Northern's request for financial statements. Upon review of the Shipper's financial statements, Northern shall determine if the Shipper is creditworthy. If the Shipper is determined to be non-creditworthy, Northern may require Security as set forth herein. Shipper shall have at least 5 Business Days from Northern's written request to pay Northern for one month of service in advance. Shipper shall have at least 30 days to provide the next three (3) months of Security to continue service. If the Shipper fails to provide the required Security within these time periods, Northern may suspend service immediately. In addition, Northern will provide at least 30 days written notice to Shipper and the Commission that it will terminate service if the Shipper fails to provide the required Security.

Provided, however, Northern may limit a non-creditworthy Shipper's activity that would create or increase Northern's credit exposure to Shipper related to storage gas loans or delivery pursuant to the ILD Rate Schedule. Upon Shipper's providing financial assurance in a form acceptable to Northern in an amount equal to the outstanding value of any storage gas loaned to the Shipper and the value of any storage gas to be loaned, the Shipper may create or increase a storage loaned gas balance, up to the dollar value provided. Upon Shipper providing financial assurance in a form acceptable to Northern in an amount equal to the outstanding value of delivery of LNG under the ILD Rate Schedule to the Shipper and the value of LNG to be delivered, the Shipper may create or increase LNG deliveries, up to the dollar value provided. The requirements set forth in the paragraph above shall continue to apply to suspensions and terminations of all service.

Shipper shall have the right to request that its credit status be reevaluated by Northern at any time. If the Security requirements are terminated and the Shipper previously had provided Northern cash Security, the Shipper may elect to have the Security returned.

Northern may determine that a Shipper is no longer creditworthy if, in the reasonable opinion of Northern, a Shipper (or its guarantor) suffers a material adverse change (i.e., default on indebtedness, restatement of financials, non-payment) in its financial condition such that Shipper's ability to perform its obligations to Northern is materially impaired. If Shipper is no longer creditworthy, Northern may require financial statements and, when applicable, Security as set forth herein. Shipper shall have the right to demonstrate that the material adverse change has been remedied and request that Northern reevaluate the Shipper's creditworthiness to determine whether the Security requirements can be terminated.

If Shipper is unable to maintain creditworthiness and has not provided Security, any executed service agreement(s) may be terminated or suspended as set forth herein. Shipper is not responsible for reservation charges while service is suspended. If Shipper has defaulted under an agreement then, after providing 5 days written notice to Shipper to cure such default and Shipper's failure to cure such default, Northern shall net and/or setoff, as allowed by law, all positions (transportation, storage, imbalances, SBA, rate refunds, etc.) prior to settling outstanding account balances with the Shipper. For purposes of netting and/or setoff of obligations, gas balances shall first be dollar-valued based on the posted Midpoint Price for "Northern demarc" as published in "Gas Daily" for the most recent date available at the time the setoff occurs. Further, gas volumes loaned by Northern to Shipper, including quantities delivered to Shipper pursuant to the ILD Rate Schedule and gas volumes held by Northern on behalf of the Shipper shall be considered mutual debts owed. Northern shall have the right to assert any liens or other interests, consistent with applicable law, against any gas remaining on its system.

Northern will also consider a Small Customer's past payment record with Northern. Specifically, if a Small Customer is current with its payments to Northern, and has not been delinquent in paying its bills to Northern over the past twelve months (with good faith billing disputes excepted), the Small Customer shall be deemed to have met the creditworthiness standard with respect to new or existing transportation and storage contracts with Northern. For other Shippers, Northern shall consider such Shipper's past payment history as one of the factors in determining such Shipper's creditworthiness.

Northern and Shipper may enter into agreements to implement the provisions of this Section 46 or agreements related to credit and/or repayment for the cost of construction of mainline or lateral facilities. Any such agreement(s), along with the Shipper's service agreement(s), constitute one unitary unseverable agreement and memorialize the terms and conditions of a single transaction. A default under either agreement shall constitute a default under the other agreement. Upon Shipper's default, Northern shall have all rights granted to it by law or equity, including those contained in this Tariff and the agreements.