

47. CAPACITY RELEASE

A. Release Options

Any eligible Shipper, excluding certificated 7(c) and GS-T Shippers, may release firm throughput or FDD capacity under one of the following options, as applicable:

1. Level I. Permanent Release of Firm Capacity. Capacity will be permanently released for the remaining term of the contract. All contract terms and points remain the same.
2. Level II. Temporary Release of Firm Capacity With No Recall.
3. Level III. Temporary Release of Firm Capacity with Recall. The released capacity is subject to recall based on limitations as stated in the offer by each Releasing Shipper. The nomination procedure must be adhered to.
4. Levels II and III.
  - a. Releases for 31 days or less, releases of capacity for more than one year at the maximum Tariff rates, releases to an asset manager (AMA), as defined by FERC regulations at 18 C.F.R. 284.8, or releases to a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 284.8, are exempt from the advance posting and bidding requirements. However, the Releasing Shipper must provide the terms of such releases to Northern for informational posting purposes at the time of the release.
  - b. No rate limitation applies to the release of capacity for a period of one year or less and all such releases must comply with the advance posting and bidding requirements set forth in this Section 47. Such releases must take effect within one year of the date that the pipeline is notified of the release.
  - c. With the exception of releases to an AMA or to a participant in a state-required retail access program, releases for 31 days or less are not eligible for: (i) Extension or rollover without first complying with the advance posting and bidding requirements, or, (ii) Re-release without posting to the same Shipper until twenty-eight (28) days after the first release period has concluded.

The rate charged for a release for more than one year may not exceed the applicable maximum rate.

A Shipper with firm capacity in the Market Area may release its firm capacity only in the Market Area, subject to the availability of capacity in the Market Area. A Shipper with firm capacity in the Field Area may release its firm capacity only in the Field Area, subject to availability of capacity in the Field Area. Segmental releases may be requested. System Management Service (SMS) may be released along with the release of the corresponding throughput capacity.

Offers to release and bids, including pre-arranged releases, shall be posted upon receipt. A Releasing Shipper may request a later posting time for posting of such offer, and Northern will support such request insofar as it comports with the standard time line specified in NAESB WGQ Standard No. 5.3.2. The Replacement Shipper under a pre-arranged release must initiate confirmation of the release electronically.

B. Offers to Release

A Shipper desiring to release firm capacity, must post on Northern's website an offer to release capacity no more than twelve (12) months prior to the proposed date of the release unless the prearranged release is negotiated with a project-financed facility to facilitate its financing. An open bidding process will take place. The open bidding will take place for a period of time as specified in Subpart 47.D. Offers to release firm capacity and bids for released capacity must be complete before being posted.

An offer is valid only if completed in its entirety, as detailed below. The offer must include the quantity, term, minimum price, recall provisions, best offer standards, the details of any hourly take restrictions and any other applicable terms. Any best offer standard designated by the Releasing Shipper must be objective, non-discriminatory and applicable to all potential Replacement Shippers. Releasing Shippers have the right to allow contingent bids, provided the provisions for such contingent bid(s) are provided in the offer.

Releasing Shipper may specify dollars and cents or percentages of the maximum Tariff rate in the denomination of bids. If SMS is being released, it must be so stated in the offer. A Shipper releasing capacity temporarily must also state in the offer if the Replacement Shipper will be permitted to amend the primary receipt and/or delivery points. All requested releases will be validated by Northern prior to execution of the agreement. Northern will post capacity wanted notices on the website for prospective Shippers.

C. Revocation of Offer to Release

Offers to release firm capacity shall be binding until notice of withdrawal is received by Northern on its Customer Activities website. The Releasing Shipper may not revoke its posted release after the bid period ends. The Releasing Shipper has the right to withdraw its offer during the bid period, where unanticipated circumstances justify and no minimum bid has been made.

D. Open Season

After posting of the offer to release on the website, there will be an open season during which Northern will receive open bids for the released capacity. Bids will be posted as provided in Subpart 47.E. below. The open bid must state whether the bidder is affiliated with the Releasing Shipper. Offers will be posted for the following time periods:

A Shipper desiring to release firm capacity for one year or less, including pre-arranged releases, must post on Northern's website an offer to release capacity by 9:00 a.m. (CCT) on a Business Day. A Shipper desiring to release firm capacity for more than one year, including pre-arranged releases at less than maximum rates, must post on Northern's website an offer to release capacity by 9:00 a.m. (CCT) on a Business Day. For purposes of this Section 47, a Business Day is defined as the hours Northern has its business offices open between 8:00 a.m. one day and 8:00 a.m. the next day. The posting of a pre-arranged deal that is not subject to bid must be made by 12:00 p.m. (CCT) for the Timely cycle; 5:00 p.m. (CCT) for the Evening Cycle; 9:00 a.m. (CCT) for the Intraday 1 cycle; 1:30 p.m. for the Intraday 2 cycle; and 6:00 p.m. for the Intraday 3 cycle. Northern will accept and process capacity release offers from Releasing Shipper(s) (or its authorized third party service provider), provided the valid offer is received by Northern prior to the respective deadline specified above. Such offer, will be posted as an offer and will be available for bidding by the posted-by deadline and start of bidding time specified (for the received Business Day) as set forth above or the Releasing Shipper's specified Business Day (if later than the received Business Day).

After posting of the offer, there will be an open season during which Northern will receive open bids for the released capacity. For biddable releases that are one year or less in duration, the open season will end by 10:00 a.m. (CCT) on the same or a subsequent Business Day. For biddable releases that are more than one year in duration, the open season shall include no less than three 9:00 a.m. to 10:00 a.m. (CCT) time periods on consecutive Business Days. Northern will provide for the creation of capacity release bids from potential Replacement Shipper(s) (or its authorized third party service provider), provided the valid bid is submitted no later than the respective deadline set forth above. Such timely bid, will be evaluated by Northern for the purpose of identifying the winning bidder(s) associated with the offer.

There will be no extensions of the original bid period or the pre-arranged deal match period.

Northern must preapprove Replacement Shipper's creditworthiness.

E. Bids

During the open season, a Shipper desiring to bid on released capacity must use Northern's website to post all valid bids, listing all pertinent terms and conditions of the valid bids. Valid bids shall be partially executed Service Agreements. Any Replacement Shipper must meet Northern's creditworthiness requirements pursuant to Section 46 of GENERAL TERMS AND CONDITIONS of this Tariff.

Bids shall be binding until notice of withdrawal is received by Northern on its Customer Activities website. A bidder may not withdraw a bid for the released capacity after the bid period ends. Once a bidder has withdrawn its bid, the bidder may only submit a new bid for that released capacity at a higher rate.

Northern shall allocate available capacity to the best bid first and continue allocating until all offered capacity is awarded. Unless the Releasing Shipper has specified otherwise, in the event equivalent bids 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 the pro rata allocation of the capacity, Northern will conduct a lottery to select the winning bidder, who will then be allocated its requested capacity. The remainder will be available to the other bidder(s) on a pro rata basis, which may again trigger the veto/lottery selection process.

F. Determination and Posting of Best Offer; Awarding Capacity

The evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken. Northern will evaluate the bids and will determine which bid constitutes the best bid by determining the highest economic unit value unless the Releasing Shipper has provided Northern an alternative best bid evaluation methodology. The Releasing Shipper may designate one of the following options to determine the best bid: (1) highest rate; (2) net revenue and (3) present value. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology. For additional information regarding releases using an indexed-based rate(s), see Subpart 47.P. below. Other choices of bid evaluation methodology may be selected by the Releasing Shipper at the discretion of Northern. However, Northern is not required to offer other choices or similar timeline treatment for other choices, nor, is it held to the timeline should the Releasing Shipper elect another method of evaluation. Northern will utilize a calculation based on rate, term and quantity 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 each bid over the term of the bid, and

then dividing by the quantity of the respective bid. The NPV calculation shall include only revenue 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. Northern's evaluation will be completed and the bid to be matched (for pre-arranged deals) or awarded will be communicated by 11:00 a.m. (CCT). Any match response is due by 11:30 a.m. (CCT) and the award will be posted on the website by 12:00 p.m. (CCT). A contract number will be issued within one hour of award posting, with nomination possible beginning at the next available nomination cycle for the effective date of the contract.

The above capacity release timelines, as set forth in this Section 47, are applicable to all parties; however, it is only applicable if (1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered, (2) for index-based capacity release transactions, the Releasing Shipper has provided Northern with sufficient instructions to evaluate the corresponding bid(s) according to the timelines (3) there are no special terms or conditions of the release and (4) one of the above listed best bid evaluation methodologies is selected. Further, Northern may complete the capacity release process on a different timeline if the offer includes unfamiliar or unclear terms and conditions (e.g., designation of an index not supported by Northern). In the event the above conditions are not met, the transaction will be processed within three (3) Business Days or as soon as reasonably practicable, whichever is sooner.

A new contract number(s) will be issued for temporary released capacity, and service will be provided pursuant to the applicable rate schedule, pro forma service agreement, and capacity release offer, bid and award. Permanently acquired capacity may be added to existing agreements if requested; otherwise, a new service agreement(s) and contract number will be issued.

G. Posting of Completed Release Transactions

Releases will remain posted for seven (7) days for informational purposes only, as follows:

1. All releases at maximum rate(s), Level I permanent releases and Level II and III prearranged releases: the name of the Releasing Shipper, name of the Replacement Shipper, price, quantity and term.
2. All other releases: the name of the Releasing Shipper, name of the Replacement Shipper, the term, price, quantity, primary receipt and delivery point(s), whether subject to recall, whether the Replacement Shipper is an affiliate of Northern or the Releasing Shipper, if known, and Releasing Shipper's best offer standard, if any.

H. Re-release

Re-releases will be allowed on the same terms and basis as the primary release (except as prohibited by the regulations).

I. Liability of Releasing Shipper on a Temporary Release

For all temporary capacity releases, the Releasing Shipper will remain liable for the demand-related terms and conditions of the contract. Any other outstanding payments, imbalances or other liabilities accrued by the Replacement Shipper will be the responsibility of the Replacement Shipper.

J. Rates

1. Commodity Charge

Offers for released capacity must contain the maximum firm commodity charge, regardless of whether primary or alternate firm receipt and delivery points are utilized, unless Northern and the Replacement Shipper agree to a discount.

2. Demand Credit

Unless Northern and the Releasing Shipper have agreed to a different credit, the Releasing Shipper will receive a demand charge credit equal to the amount of throughput reservation charges received from the Replacement Shipper less any marketing fee if applicable. Such credit will be on the invoice for the month of the release.

3. Marketing Fee

A negotiated marketing fee will be applicable when the Releasing or Replacement Shipper agrees in advance to engage Northern's services and pay the fee.

4. Maximum One-Part Rate

The maximum one-part rate that may be charged to a Replacement Shipper cannot produce daily revenue that exceeds the revenue that would have been produced by use of Northern's maximum reservation and commodity charges on a daily basis, except no rate limitation applies to the release of capacity for a period of one year or less.

5. Maximum Two-Part Rate

The maximum two-part rate that a Releasing Shipper may charge cannot exceed Northern's maximum reservation and commodity charges, except no rate limitation applies to the release of capacity for a period of one year or less.

K. Billing

For TF or TFX capacity, Northern shall directly bill the Replacement Shipper the agreed to rate for the released capacity, as well as any applicable usage charges and penalties plus a marketing fee, if applicable. The Releasing Shipper will be billed at the contractual transportation rates, plus a marketing fee, if applicable. The Releasing Shipper will be credited in the same billing month with all demand-related revenues received from the Replacement Shipper. Any amounts credited shall be limited to demand-related revenues received from the Replacement Shipper.

L. Termination of Contract

1. For Non-Payment by the Releasing Shipper. Northern may elect to terminate a Replacement Shipper's service agreement upon 30 days written notice of such termination to a Replacement Shipper, under the following conditions:
  - a. The Releasing Shipper has failed to pay in accordance with Section 8 of the GENERAL TERMS AND CONDITIONS of this Tariff; and
  - b. The Replacement Shipper does not agree to pay the lower of (i) the Releasing Shipper's contract rate, or (ii) the maximum Tariff rate for the service for the remainder of the Replacement Shipper's contract. However, in the event that the Releasing Shipper is paying Northern a contract rate above the maximum Tariff rate because such a rate was needed to justify the economics of a capital project, and the Replacement Shipper agreed to pay the Releasing Shipper a rate above the maximum Tariff rate, then Northern may terminate the Replacement Shipper's contract if the Replacement Shipper does not agree to continue to pay the rate it agreed to pay the Releasing Shipper.
  - c. Northern shall notify the Releasing and Replacement Shipper simultaneously upon determining that the Releasing Shipper is in default.
  - d. Northern may simultaneously provide written notices to the Releasing Shipper that its contract will be terminated and to the Replacement Shipper of the rate it must agree to pay in order to retain the capacity.
  - e. In no event will the rate charged the Replacement Shipper be higher than the rate charged the Releasing Shipper.
2. For Non-Payment by Replacement Shipper. If the Replacement Shipper does not make full payment of all amounts billed to it by Northern within ten (10) days of the date of invoice, Northern shall notify the Replacement Shipper in writing, and copy the Releasing Shipper, advising that if default continues for a thirty (30) day period from such invoice date, the Service Agreement may be terminated; provided, however, Replacement Shipper may avoid termination by providing Northern with good and sufficient indemnity bond. If Replacement Shipper fails to remedy non-payment within such thirty (30) day period, the Service Agreement between Northern and the Replacement Shipper may be terminated, and the Releasing Shipper shall immediately be able to again release such capacity.
3. Due to Lack of Creditworthiness. Northern may elect to terminate a Replacement Shipper's service agreement upon 30 days written notice of such termination to a Replacement Shipper, under the following conditions:
  - a. The Releasing Shipper has failed to maintain creditworthiness and has been provided written notice that its contract will be terminated in accordance with Section 46 of the GENERAL TERMS AND CONDITIONS of this Tariff; and
  - b. The Replacement Shipper does not agree to pay the lower of (i) the Releasing Shipper's contract rate, or (ii) the maximum Tariff rate for the service for the remainder of the Replacement Shipper's contract. However, in the event that the Releasing Shipper is paying Northern a contract rate above the maximum Tariff rate because such a rate was needed to justify the economics of a capital project, and the Replacement Shipper agreed

to pay the Releasing Shipper a rate above the maximum Tariff rate, then Northern may terminate the Replacement Shipper's contract if the Replacement Shipper does not agree to continue to pay the rate it agreed to pay the Releasing Shipper.

- c. Northern shall notify the Releasing and Replacement Shipper simultaneously upon determining that the Releasing Shipper is not creditworthy.
- d. Northern may simultaneously provide written notices to the Releasing Shipper that its contract will be terminated and to the Replacement Shipper of the rate it must agree to pay in order to retain the capacity.
- e. In no event will the rate charged the Replacement Shipper be higher than the rate charged the Releasing Shipper.

M. Tiers

Any capacity released temporarily must retain its tier identification (TF12 or TF5), if applicable. For TF5 and TF12 quantities permanently released, the Releasing and Replacement Shipper's TF5 capacity shall not exceed thirty percent (30%) of the total aggregate MDQ of the released or acquired contract, as applicable, or the grandfathered percentage. If TF5 quantities are permanently released and the Replacement Shipper does not add the entitlement to an existing TF service agreement, or such TF5 quantities exceed the 30% requirement, the TF5 entitlement will be deemed to be provided pursuant to the TFX Rate Schedule and a TFX service agreement will be issued to the Replacement Shipper.

N. Recall of Released Capacity

Subject to the terms of the release, the Releasing Shipper may recall released capacity as provided below. Recalls of capacity release transactions shall be subject to Elapsed Prorata Capacity (EPC). EPC means that portion of the capacity that would have theoretically been available for use prior to the effective time of the intraday recall based upon a cumulative uniform hourly use of the capacity. Reputting by the Releasing Shipper shall be as agreed upon by the Replacement Shipper and the Releasing Shipper. The deadline for notifying Northern of a reput is 8:00 a.m. to allow for timely nominations to flow for the next Gas Day.

Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity at each of the NAESB Nomination grid cycles by providing notice to Northern by the following times for each cycle:

- 1. Timely Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 8:00 a.m. on the day that Timely Nominations are due;
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 9:00 a.m. on the day that Timely Nominations are due (CCT);

2. Early Evening Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 3:00 p.m. on the day that Evening Nominations are due (CCT);
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 4:00 p.m. on the day that Evening Nominations are due (CCT);
3. Evening Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 5:00 p.m. on the day that Evening Nominations are due (CCT);
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 6:00 p.m. on the day that Evening Nominations are due (CCT);
4. Intraday 1 Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 7:00 a.m. on the day that Intraday 1 Nominations are due (CCT);
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 8:00 a.m. on the day that Intraday 1 Nominations are due (CCT); and
5. Intraday 2 Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 12:00 p.m. on the day that Intraday 2 Nominations are due (CCT);
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 1:00 p.m. on the day that Intraday 2 Nominations are due (CCT).
6. Intraday 3 Recall Notification:
  - a. A Releasing Shipper recalling capacity should provide notice to Northern and the first Replacement Shipper of such recall no later than 4:00 p.m. on the day that Intraday 3 Nominations are due (CCT);
  - b. Northern should provide notification to all affected Replacement Shippers of such recall no later than 5:00 p.m. on the day that Intraday 3 Nominations are due (CCT).

For recall notification provided to Northern prior to the recall notification deadline specified above and received between 7:00 a.m. and 5:00 p.m., Northern should provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification.



For recall notification provided to Northern after 5:00 p.m. and prior to 7:00 a.m., Northern should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification (CCT).

When a Releasing Shipper with recall rights desires to recall its capacity during an Intra-Day cycle, Northern's capacity release system will indicate to such Shipper the capacity available for recall based upon the EPC. Therefore, the Releasing Shipper's recall notification to Northern would reflect the adjusted total released capacity entitlement.

Northern shall not be obligated to deliver in excess of the total daily contract quantity of the release.

The amount of capacity allocated to the Replacement Shipper(s) should equal the original released capacity less the recalled capacity that is adjusted based upon the EPC.

When capacity is recalled, it may not be reup for the same Gas Day.

O. Index-Based Capacity Releases

For index-based capacity release transactions, Rate Floor is the term used to describe the lowest rate specified in the capacity release offer in dollars and cents that is acceptable to the Releasing Shipper. The Rate Floor may not be less than Northern's minimum reservation rate or zero cents when there is no stated minimum reservation rate.

For index-based capacity release transactions, Northern should support a Rate Floor to be specified by the Releasing Shipper in the capacity release offer.

For index-based capacity release transactions, Northern should support the ability of a Releasing Shipper to specify in the capacity release offer a non-biddable Rate Default. The Rate Default cannot be less than the Rate Floor, if any.

For index-based capacity release transactions, Northern should support the ability of a Releasing Shipper to specify in the capacity release offer a non-biddable Rate Default. The Rate Default cannot be less than the Rate Floor, if any.

For index-based capacity release transactions, the Releasing Shipper must specify which one of the following methods is acceptable for bidding on a given index-based capacity release offer:

- percentage of the formula,
- dollars and cents differential from the formula,
- dollars and cents differential from the Rate Floor, or
- an approved methodology in this Tariff, if any.

When bidding is based upon a dollars and cents differential from the Rate Floor, the invoiced rate for the award will be calculated as the greater of (1) the result of the formula or (2) the Rate Floor plus the high bid's differential, both not to exceed Northern's maximum reservation rate, if applicable.

The Releasing Shipper may specify another method in the special terms and conditions, but the capacity release offer may not be processed within the capacity release timeline pursuant to NAESB WGQ Standard No. 5.3.2.

Unless otherwise specified in this Tariff, for index-based capacity release transactions where the result of the award is to be applied on a monthly basis, and the formula detailed in the capacity release award requires calculations on a daily basis, the results of such daily calculations may exceed the applicable maximum daily reservation rate or be less than the applicable minimum daily reservation rate. However, any resulting monthly reservation rate may not exceed Northern's maximum monthly reservation rate, as applicable, or be less than the Rate Floor specified in the capacity release award.

If the resulting monthly reservation rate exceeds Northern's maximum reservation rate, as applicable, Northern's maximum reservation rate should be used for invoicing. If the resulting monthly reservation rate is less than the Rate Floor, the Rate Floor should be used for invoicing.

For invoicing of volumetric index-based capacity release transactions, where the result of the formula detailed in the capacity release award is to be applied on a daily basis, if the calculated daily rate exceeds Northern's applicable maximum reservation rate or is less than the Rate Floor specified in the capacity release award, Northern's maximum reservation rate or the Rate Floor, respectively, should apply.

For index-based capacity release transactions, upon mutual agreement between the Releasing Shipper and Northern, the Releasing Shipper should provide Northern and the Replacement Shipper with the detailed calculation of the reservation rate(s). Except as provided below, this rate(s) will be stated on the invoice provided by Northern to the Replacement Shipper pursuant to the capacity release award. The results of the Releasing Shipper's calculations should conform to the capacity release award and/or to Northern's minimum and maximum reservation rates, as applicable.

- For reservation and monthly volumetric index-based capacity release transactions, the detailed calculation should be provided in a mutually agreed upon format no later than the second Business Day of the month following the transportation under the release.
- For volumetric index-based capacity release transactions requiring a daily rate calculation, the detailed calculation should be provided in a report pursuant to NAESB WGQ Standard No. 5.3.69.

If the report is not provided by the applicable deadline above or is deficient, Northern will notify the Releasing Shipper to provide Northern with a correct report within one Business Day. Thereafter, in the absence of a conforming report, Northern will invoice the Replacement Shipper the greater of the Rate Default specified in the capacity release offer or the Rate Floor plus any differential specified in the capacity release award.

Upon notification to Northern by both the Releasing Shipper and the Replacement Shipper that prior period adjustments to the calculated reservation rates used in the invoice are appropriate, invoiced amounts can be revised subsequently, upward or downward, to conform to the capacity release award, subject to the requirements governing prior period adjustments.

For volumetric index-based capacity release transactions, where the Releasing Shipper performs invoicing calculations pursuant to NAESB WGQ Standard No. 5.3.66, Northern will provide allocated quantities to the Releasing Shipper according to a mutually agreed upon timetable. The Releasing Shipper should have at least one Business Day to process the quantities prior to returning such invoicing information to Northern in a tabular format.

Northern will provide the allocated quantities to the Releasing Shipper in a tabular file to be described by Northern. The first row of the file will contain the column headers and data will begin on the second row of the file. In addition, the first column will contain the applicable Gas Day(s).