

57. PENALTY AND DDVC REVENUE CREDITING MECHANISM

1. Crediting Mechanism

- a. In January of each year, 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 base tariff rates, including interest per the Commission's regulations, during the prior contract year (November through October) to Shippers as described below. 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 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 the year. Volumes at pooling points and points subject to Operator Balancing Agreements are not subject to DDVCs.
- 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 Operator Balancing Agreement (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.
- d. Unauthorized Gas. The value of unauthorized gas remaining in Northern's system will be credited to firm and interruptible Shippers in accordance with the following:
  - i. The value of unauthorized gas remaining in Northern's system under Section 34 of the GENERAL TERMS AND CONDITIONS of this Tariff will be credited to firm and interruptible Shippers, prorated according to each Shipper's total deliveries for the month in which the gas was determined to be Unauthorized Gas.
  - ii. The value of gas invoiced to the Shipper in excess of 100% of the index price, or the value of the gas remaining in Northern's system under Section 9 of the PDD Rate Schedule and Sections 4 (paragraph c) and 5 of the IDD Rate Schedule will be credited to firm deferred delivery Shippers, according to each FDD Shipper's total cycle quantity.
  - iii. The value of unauthorized gas remaining in Northern's system will be determined by multiplying the applicable Monthly Index Price (MIP), as set forth in Section 32.C., for the applicable month, by the total quantity of gas remaining in the system.
- e. PDD Rollover Charge. Rollover Charges collected pursuant to Rate Schedule PDD will be credited to the preferred deferred delivery Shippers according to each PDD Shipper's total cycle quantity.