

GENERAL TERMS AND CONDITIONS

- 2) Firm Services. In the event capacity must be allocated on part or all of Northern's system, Firm Throughput Services will be the last category to be curtailed. Such curtailment shall be allocated on a pro rata basis except as provided in Section 19, "Limitations on Northern's Obligation to Provide Firm Service" of the GENERAL TERMS AND CONDITIONS.

If Northern is experiencing a shortfall or excess in receipts which affect the operating integrity of its system, only until Northern is able to determine the Producer or Shipper who has failed to tender volumes equal to the volumes nominated and scheduled, Northern shall have the right, after providing as much advance notice as possible, to interrupt deliveries concerning the affected area as provided in the Receipt Point Supply Shortfall or Excess provisions of Section 19 of the GENERAL TERMS AND CONDITIONS of this Tariff.

- (c) CARLTON RESOLUTION. Up to 250,000 MMBtu per 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 MMBtu/Day on an annual basis prior to the commencement of the heating season.

1. 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 Section 2 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) work days in advance of such assignment.

2. 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 (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.