

GENERAL TERMS AND CONDITIONS

4. True-up Mechanism

(i) Transportation

Northern will true-up Transportation Fuel as follows:

Northern shall compare the Fuel retained for the applicable Winter or Summer Season or Annual time period with the actual Fuel consumed for the same period for Sections 1, 2 and 3 to determine the Fuel Adjustment Amount for each Fuel percentage. The actual Fuel consumed shall be calculated using the same rules and procedures utilized in calculating the Transportation Fuel Percentages. The Fuel Adjustment Amount will be divided by the applicable Sections 1, 2 and 3 Throughput to determine each Fuel Adjustment Percent to be added to each Section Fuel retention percentage for the applicable Winter or Summer Season or Annual period beginning the following Winter or Summer Season or Annual period. Under-retainage will result in a positive Fuel Adjustment Amount. Over-retainage will result in a negative Fuel Adjustment Amount. For purposes of determining the Adjustment Amount for years subsequent to the initial year the Adjustment Amount for the prior year is first added to the actual Fuel retained for the prior year. To determine the Adjustment Amount for the subsequent year, the balance of the Fuel retained will be compared to the Fuel consumed. A zero percentage will be used for any section or MID Fuel percentage that is derived to be less than zero.

(ii) FDD Storage

Northern will true-up FDD Storage Fuel and URR as follows:

- (a) Fuel. Northern shall annually compare the volume of FDD Storage Fuel retained for the most recent PRA Period with the volume of actual FDD Storage Fuel for the same period to determine the Adjustment Amount. The FDD Storage Adjustment Amount will be divided by the applicable injection volumes to determine the FDD Storage Adjustment Percent to be added to the FDD Storage Fuel retention percentage for the period beginning the subsequent April 1. Under-retainage will result in a positive Adjustment Amount. Over-retainage will result in a negative Adjustment Amount. For purposes of determining the Adjustment Amount for years subsequent to the initial year, the Adjustment Amount for the prior year is first added to the actual FDD Storage Fuel retained for the prior year. To determine the Adjustment Amount for the subsequent year, the balance of the FDD Storage Fuel retained will be compared to the actual FDD Storage Fuel.
- (b) URR. Northern shall compare the quantity recovered in the FDD Storage URR at the end of the Injection Period to the quantity of the under-recovery calculated in the FDD Storage URR for the prior cycle year to determine the FDD Storage URR Adjustment. The URR Adjustment will be incorporated into the computation of the FDD Storage URR Percentage for the upcoming Injection Period. Under-recovery will result in a positive FDD Storage URR Adjustment. Over-recovery will result in a negative FDD Storage URR Adjustment subject to the provisions of paragraph 4.(iii)(c) herein.