

GENERAL TERMS AND CONDITIONS

54. DISCOUNTING

A. ORDER OF DISCOUNTING

Subject to the tariff limitations pursuant to the applicable minimum and maximum rates, the discounting of rates shall be done in the following order:

1. Base Tariff rate.
2. Carlton Surcharge, as provided in Section 29(c)4 of these General Terms and Conditions.

B. TYPES OF DISCOUNTS

From time to time Shipper and Northern may agree in writing on a level of discount of the otherwise applicable rates and charges in addition to a basic discount from the stated maximum rates. For example, Northern may provide a specific discounted rate:

- (1) to certain specified quantities under the Service Agreement;
- (2) if specified quantity levels are actually achieved or with respect to quantities below a specified level;
- (3) to production reserves committed by the Shipper;
- (4) during specified time periods;
- (5) to points of receipt, points of delivery, supply areas, transportation paths or defined geographical areas; or
- (6) in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (7) to provide that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Northern's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sheets. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable; or
- (8) based on a formula including, but not limited to, published index prices for specific receipt or delivery points or other agreed-upon pricing reference points for price determination. Any service agreement containing such a discount will identify what rate component (i.e. reservation charge or usage charge or both) is discounted and any formula will produce a reservation rate per unit of contract demand.
- (9) that provides for increasing (or decreasing) a discounted rate for service under one rate schedule to make up for a decrease (or increase) in the maximum rate for a separate service provided under another rate schedule.

In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.