

TRANSPORTATION SERVICES

6th Revised Sheet No. 6.00

1. Availability and Rates: Service under this rate schedule is available to any non-general service customer who purchases gas supplies that can be transported to MERC’s distribution system. Transportation customers, if otherwise qualified for the rate, may choose transportation service from one of the following classes, at the following applicable rates:

Customer Class	Therm Usage Range (Annual)	Monthly Customer Charge	Monthly Administrative Fee	Firm Distribution Charge Per Therm – CIP Applicable	Firm Distribution Charge Per Therm – CIP Exempt	Interruptible Distribution Charge Per Therm – CIP Applicable	Interruptible Distribution Charge Per Therm – CIP Exempt
Commercial & Industrial Firm/Interruptible Class 1 Transport	0 – 1,500	\$18.00	\$150.00	\$0.22251	\$0.19298	\$0.15847	\$0.12894
Commercial & Industrial Firm/Interruptible Class 2 Transport	1,501 – 100,000	\$45.00	\$150.00	\$0.16857	\$0.13904	\$0.10453	\$0.07500
Commercial & Industrial Firm/Interruptible Class 3 Transport	100,001 – 1,000,000	\$165.00	\$150.00	\$0.12453	\$0.09500	\$0.09453	\$0.06500
Commercial & Industrial Firm/Interruptible Class 4 Transport	1,000,001 – 2,000,000	\$185.00	\$150.00	\$0.05016	\$0.02063	\$0.04823	\$0.01870
Commercial & Industrial Firm/Interruptible Class 5 Transport	2,000,001 and greater	\$360.00	\$150.00	\$0.03486	\$0.00533	\$0.03401	\$0.00448
Agricultural Grain Dryer Firm/Interruptible Class 1 Transport	0 – 20,000	\$45.00	\$150.00	\$0.19357	\$0.16404	\$0.12953	\$0.10000
Agricultural Grain Firm/Interruptible Dryer Class 2 Transport	20,001 – 500,000	\$45.00	\$150.00	\$0.14554	\$0.11601	\$0.08150	\$0.05197
Agricultural Grain Firm/Interruptible Dryer Class 3	500,001 or more	\$165.00	\$150.00	\$0.08860	\$0.05907	\$0.05860	\$0.02907
Electric Generation Firm/Interruptible Class 1 Transport	0 – 500,000	\$45.00	\$150.00	\$0.16357	\$0.13404	\$0.09953	\$0.07000
Electric Generation Firm/Interruptible Class 2 Transport	500,001 or more	\$360.00	\$150.00	\$0.03486	\$0.00533	\$0.03401	\$0.00448

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2. Type of Service: Transportation services are available on a firm or interruptible basis, contingent on adequate interstate pipeline and distribution capacity. To take transportation service on a firm basis, customer must arrange firm transportation for gas supply on an interstate pipeline serving Company's distribution system. The customer must provide Company a Certification confirming this firm transportation signed by the customer and, if applicable, the marketer. Company must expressly approve the customer's requested firm nominations.
3. Other Rates and Charges: In addition to applicable rates above, other charges for Transportation service include following:
- Balancing and Scheduling Charges and Penalties
  - Late Payment Charges
  - Franchise Fees
  - Conservation Cost Recovery Charges and Conservation Cost Recovery Adjustments (for non-CIP Exempt customers, as reflected in Tariff Sheet No. 7.02)
  - Unauthorized gas fees and penalties, including penalties and charges passed on by the pipeline that the customer causes the Company to incur
  - Any other costs, charges, penalties, or assessments passed on by the pipeline that the customer causes the Company to incur
  - Applicable Rider charges
  - Any other charges or rates approved by the Minnesota Public Utilities Commission

BTU Adjustment: Customer billed usage is in therm volumes that are derived by applying BTU adjustment factors as necessary. Company meter readings will be adjusted when the Btu content of delivered gas varies from 1,000 Btu per cubic foot.

Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

4. End User Allocation Agreement: Company will enter into and/or maintain an End User Allocation Agreement ("EUAA") with any transportation customer requesting such EUAA under the following conditions: (1) Customer must have telemetry installed at its facility; (2) Such EUAA will not negatively impact Company's sales customers; and (3) Northern Natural Gas Company is willing to enter into such EUAA.

5. Terms and Conditions of Service:

- A. Transport Contract Requirements: Customer must have arranged for the purchase of gas other than Company's system supply and for its delivery to Company system. Customer must sign Company's contract for Transportation Service to each delivery point. Company shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to Company's system.
- B. Telemetry: All transportation customers must have Company install telemetry equipment at the customer's expense. The telemetry equipment must be installed prior to the commencement of natural gas service to the customer. Company will offer financing for periods up to 90 days interest free. Company will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by Company shall remain the property of Company.
- C. Transportation Order of Billing: The order of gas delivery for purposes of billing will be as follows:
- a. First, customer-owned firm volumes.
  - b. Second, customer-owned interruptible volumes.
  - c. Third, sales gas priced per Company's applicable sales tariffs.
- D. Failure of Transportation Supply: If a customer or a customer's supplier notified Company that it will be unable to deliver volumes to Company's Town Border Station sufficient to meet daily consumption, Company will use reasonable efforts to make gas available to the customer. Such gas will be charged to the customer at the highest incremental supply cost for the day plus the commodity cost of interruptible transportation plus applicable Daily Balancing Fees. If Company is unable to obtain a replacement for the customer's transportation supply, the customer will be given the option to discontinue the use of gas or incur the penalty associated with the use of Unauthorized Gas.
- E. Curtailment Events – Firm Volumes: During an interruption or curtailment event, firm transportation customers will be limited to the natural gas delivered to their company designated Town Boarder Station or delivery point. Customers who have no natural gas delivered during an interruption or curtailment event will be expected to self-curtail their natural gas usage. If a customer fails to discontinue use of gas within one hour of such request, the customer will be deemed to have taken Unauthorized Gas. Company shall have the right to shut off customer's supply of gas in the event of failure to discontinue use after such request.
- F. Curtailment Events – Interruptible Volumes: If a customer fails to discontinue use of gas within one hour of such request, the customer will be deemed to have taken Unauthorized

Gas. Company shall have the right to shut off customer's supply of gas in the event of failure to discontinue use after such request. The penalty for unauthorized use of gas will be the prevailing delivery charge plus the highest incremental supply cost for the day plus \$5 per therm for all Unauthorized Gas usage. Customer will also be responsible for all applicable rates and charges hereunder for Unauthorized Gas. Failure of Customer's standby facilities, failure to obtain adequate alternative fuel supplies, failure to provide the Company with correct or updated contact information, or a failure to appropriately verify or correct for errors in contact information on file with the Company shall not be considered justification for disregard of curtailment orders. The penalty for unauthorized gas use shall apply in such circumstances.

- G. General Terms and Condition: The General Terms and Conditions contained in this tariff shall apply to all Transportation customers under this rate schedule.

6. **Class Switching:** Customers may transfer to Transportation Service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers. If a customer faces unforeseen circumstances that were not known ninety days prior to November 1, the customer may request a waiver of the notice requirement to allow the customer to transfer service. The Company has sole discretion to grant or deny such a request and may only grant such a request if the Company determines that (1) unforeseen circumstances prevented the customer from timely requesting to transfer service, (2) adequate gas supply and interstate pipeline capacity is available to serve the customer, and (3) the waiver will not result in any detriment to existing system sales customers. If the Company waives the notice requirement, the Company may require the customer to pay an exit fee to recover the costs related to a switch to or from service under this rate schedule. This exit fee may include, but is not limited to, any above market gas commodity costs, any interstate pipeline transportation and storage costs, and any other demand costs.
7. **Nomination, Balancing, and Scheduling Charges:** The following provisions apply to all Transportation customers except as set forth in Tariff Sheet No. 6.50 with respect to Direct Connect Transportation customers.
- A. **Nomination:** Customers requesting volumes to flow on the first day of any month must directly advise Company's Gas Supply Services Division by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise Company's Gas Supply Services Division by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by the Company on a best efforts basis, provided the nomination is confirmed by the interstate pipeline. Customer will provide Company with a concurrent copy of all nominations made to the transporting pipeline for deliveries nominated to Company's Town Border Stations. Nominations must be to areas of the Company's distribution system within the same interstate pipeline operational zone servicing the customer's location.
- B. **Daily Balancing:** To assure Company's system integrity, the customer is responsible for: 1) scheduling deliveries which accurately reflect customer's expected consumption, and 2) balancing deliveries to Company's system with volumes consumed at the delivery points. When daily volumes of natural gas delivered on behalf of customer to the Company's receipt points or natural gas received at customer's designated delivery point differ, above or below daily scheduled volumes, the customer is out-of-balance. It is the customer's sole responsibility to maintain balance between nominated volumes and actual use, however, the Company reserves the right to adjust or refuse nominations to maintain balance. Volume differences between daily receipts and deliveries shall be accumulated and recorded in customer's account. Company shall determine the imbalance quantity for each day on a therm basis. Company shall then account for the imbalance volumes according to the Daily Scheduling Charges below.

C. Daily Scheduling Charges: Each Transport customer must pay for any balancing or scheduling penalties from pipelines that the customer causes Company to incur. Additionally, any upstream costs that can be identified as being caused by a specific customer will be assigned to that customer.

a. Northern Natural Gas Daily Scheduling Charges

Non-SUL/SOL/CRITICAL DAYS: When a customer's scheduled deliveries to the Company differ from daily consumption a tolerance of +/-5% of confirmed nomination will be applied. For consumption within tolerance, no scheduling charges will be applied. For consumption outside tolerance, a scheduling charge will be applied to the volume exceeding tolerance equal to the maximum effective Northern Natural Gas TI rate for the customer's market area

SOL Days: On days that Northern Natural Gas calls a System Overrun Limitation (SOL), a charge equal to the charge of the pipeline will apply to those volumes in excess of confirmed nominations

SUL Days: On days that Northern Natural Gas declares a System Under run Limitation (SUL), the 5% daily imbalance will be suspended and a charge of equal to the charge of the pipeline will apply for each therm of consumption less than the confirmed nomination.

Critical Days: On days that Northern Natural Gas declares a Critical Day, a charge equal to the daily delivery variance charge (DDVC) of the pipeline will apply to those volumes in excess of the confirmed nomination level. Currently, this charge is as much as \$11.30 per therm.

Telemetry Failure: Should the specific measurement or telemetry systems that provide daily consumption data fail, Company will temporarily suspend daily scheduling charges for the affected account until Company can confirm the cause of the loss of telemetry is not due to the Company's measurement or telemetry systems. In the event the Company determines the problem is caused by the Company's equipment, daily scheduling charges will be waived until the Company can return the faulty device or system to operation. In the event the Company determines the problem is caused by the customer's equipment (such as utility power, phone line, etc.), the customer will be responsible for any daily scheduling charges, including charges incurred during the suspension. Company will promptly notify and work with the customer or customer's agent to identify and isolate the problem such that the customer can correct the problem in an orderly and efficient manner. The Company, at its sole discretion, may choose to continue to waive daily scheduling charges for a period of time if it determines the customer is proactively attempting to correct the cause of the problem in a reasonable and timely manner.

C. Daily Scheduling Charges (continued)

b. Great Lakes and Viking Daily Scheduling Charges

- i. Any penalties incurred as a result of the customer will be passed along to the customer.
- ii. Any upstream costs that can be specifically identified as being caused by a specific customer will be assigned to that customer.
- iii. These charges are in addition to any Company charges, as provided for in Company's tariff, for unauthorized takes of gas when service is interrupted.

D. Monthly Imbalances: Volume differences between monthly receipts and deliveries shall be accumulated and recorded in customer's account. The Company shall determine the imbalance quantity for each month on a therm basis. As imbalances occur, Company and the customer will attempt to correct them within the same month in which they occur. Failing such a correction, the imbalances will be corrected on a monthly basis through the following cash out procedure.

Northern Natural Gas—Monthly Imbalances: The difference between confirmed nominated volumes and actual consumption will be charged or credited to the customer based on the appropriate Market Index Price (MIP). The basis for the MIP shall be the average weekly prices as quoted for the Ventura and Demarc points in Gas Daily for a 5 week period starting on the first Tuesday of the calendar month for which the MIP is being established and ending on the first or second Monday of the following month, whichever is applicable, to arrive at a 5 week period. The MIPs shall be determined as follows:

- i. High MIP: The highest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate, plus a capacity release value, which will be deemed to be \$0.07/dekatherm.
- ii. Low MIP: The lowest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.
- iii. Average MIP: The average of the weekly averages during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate

In addition, the cash out price is tiered to encourage good performance and discourage gaming of the system.

<u>Imbalance Level</u>	<u>Due Company</u>	<u>Due Customer</u>
0% - 3%	High MIP * 100%	Low MIP * 100%
For the increment that is greater than 3% up to 5%	High MIP * 102%	Low MIP * 98%
For the increment that is greater than 5% up to 10%	High MIP * 110%	Low MIP * 90%
For the increment that is greater than 10% up to 15%	High MIP * 120%	Low MIP * 80%
For the increment that is greater than 15% up to 20%	High MIP * 130%	Low MIP * 70%
For the increment that is greater than 20%	High MIP * 140%	Low MIP * 60%

Example:

If the nominated volume was 100 dekatherms and the actual consumption was 130 dekatherms, there is an imbalance of 30 dekatherms due Company. The transportation customer would owe Company the following amount using the above hypothetical High MIP of \$2.23: (\*)



3 dekatherms at MIP * 100%	\$ 6.69
2 dekatherms at MIP * 102%	\$ 4.55
5 dekatherms at MIP * 110%	\$12.26
5 dekatherms at MIP * 120%	\$13.38
5 dekatherms at MIP * 130%	\$14.49
10 dekatherms at MIP * 140%	<u>\$31.22</u>
	\$82.59

(\*) These hypothetical prices are used for illustration purposes only.

If the pipeline provides an imbalance to storage option, and the transporter has a storage account on the pipeline, Company and the transporter may transfer imbalances to or from pipeline storage accounts, provided certain conditions are met. If the transaction would cause Company’s storage account to breach any contractual limitations, or would otherwise cause undue harm to Company’s management of its storage accounts, the storage transfer may not be allowed. If there are any charges from the pipeline to effectuate the storage transfer, the customer will be responsible for payment of any such actual costs.

Viking and Great Lakes – Monthly Imbalances

If the monthly imbalance is due to a deficiency of deliveries (customer excess) relative to scheduled nominations, Company shall pay customer in accordance with Schedule A below. If the monthly imbalance is due to an excess of deliveries (customer shortfall) relative to scheduled nominations, customer shall pay Company in accordance with Schedule B below. In addition to correcting the monthly imbalance in cash, (a) Company shall pay to customer the “Transportation Component” if deliveries are greater than scheduled nominations, or (b) Customer shall pay to Company the “Transportation Component” if deliveries are less than scheduled nominations. For Viking, the “Transportation Component” shall be equal to the Commodity Rate under Rate Schedule FT-A rate for transportation to the applicable zone multiplied by the monthly imbalance, plus an applicable fuel and use charges, as stated in Viking’s tariff. For Great Lakes, the “Transportation component” shall be equal to the Usage Rate under Rate Schedule FT, for a West to West transport (Emerson to Cloquet) multiplied by the monthly imbalance plus fuel, plus FERC’s Annual Charge Adjustment (ACA), plus Gas Research Institute charge (GRI), as stated in Great Lakes tariff.

Schedule A

<u>% Monthly Imbalance</u>	<u>Company Pays Customer Following % of Index Price</u>
0-5%	100% Average Monthly
>5-10%	85% Average Monthly
>10-15%	70% Average Monthly
>15-20%	60% Average Monthly
<20%	50% Average Monthly

Schedule B

<u>% Monthly Imbalance</u>	<u>Customer Pays Company Following % of Index Price</u>
0-5%	100% Average Monthly
>5-10%	115% Average Monthly
>10-15%	130% Average Monthly
>15-20%	140% Average Monthly
<20%	150% Average Monthly

The Index Price shall be determined on a weekly and monthly basis. Each Weekly Index Price shall equal the price of gas at Emerson, Manitoba as published in the “Weekly Price Survey” of Gas Daily for such week. For purposes of determining the cashout of imbalances in accordance with Schedules A and B herein, the “Average Monthly Index Price” shall be the average of the Weekly Index Prices determined during a given month.

If Gas Daily’s “Weekly Price Survey” is no longer published, customer and Company shall meet to undertake to agree upon alternative spot price indices.

8. Pipeline Charges: Any charges which Company incurs from the pipeline on behalf of a customer shall be passed through to that customer.

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AGGREGATION SERVICE

4th Revised Sheet No. 6.08

1. Availability: Aggregation Service is optional and available to any transportation customer within the same interstate pipeline operational zone. Under this service, a Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e., individual customer nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.
2. Rates: The cost of the aggregation service is \$.00425 per therm of gas delivered to the aggregated group.

Charge Description	\$/Therm	Additional Description
Aggregation Fee	\$.00425	All gas delivered to aggregated group.

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