

**MUSTANG PIPE LINE LLC**

**PRORATION POLICY**

Effective: [W] January 1, 2018 ~~December 1, 2015~~

**I. Pipeline Proration Policy -- Mustang Pipe Line LLC (Carrier)**

**A. PURPOSE OF THIS PRORATION POLICY**

There may be times when Carrier in its sole discretion determines that its capacity is not sufficient to transport the full volume of nominated volumes submitted to it by shippers. If increased capacity is not readily available, a method to provide equitable proration of capacity to shippers will be utilized. The purpose of this document is to describe Carrier's method.

**B. DEFINITIONS**

1. **Base Period** - the 12 month period commencing on the first day of the month that is 13 months prior to the month during which proration is to occur and extending through the last day of the second month proceeding the prorated month. For example, if proration occurs in February 2012, the Base Period will be January 1, 2011 through December 31, 2011.

2. **Regular Shipper** - a "Regular Shipper" is any shipper who shipped a minimum of one batch on the Carrier for at least 6 of 12 months during the Base Period. Shippers will lose their Regular Shipper status when they have not shipped a batch for at least 6 of 12 months during the Base Period.

3. **New Shipper** - a "New Shipper" is any shipper other than a Regular Shipper.

4. **Average Daily Volume** – the average of a Regular Shipper's volumes shipped during the Base Period through the Prorated Segment.

5. **Multiple Shipper Accounts** - separate accounts for all companies that are an Affiliated Entity with a single parent company. For the purpose of implementing this Proration Policy, more than fifty percent (50%) ownership by the parent company shall constitute an affiliate.

6. **Prorated Segment** – the segment or segments of Carrier’s pipeline system, any one or more of which, that Carrier declares to be a “prorated segment” shall be treated as a separate entity with regard to the application of the definitions of a “Regular Shipper” and “New Shipper” as defined above. The Mustang pipeline system is divided into two segments. Segment one is defined from the Lakehead Pipeline Meter Station to the Shell-operated Lockport Terminal. Segment two is defined from the Lockport Terminal to Patoka, Illinois.

7. **[N] Post Mainline Apportionment Nomination** – shipper’s accepted nomination reduced by the percentage of the announced apportionment on the Enbridge mainline

8. **[N] Non-Performance Penalty** – amount that will be charged to each shipper on a monthly basis if the actual volume shipped is less than 95% of its Post Mainline Apportionment Nomination. The Non-Performance Penalty is only applicable when Mustang Pipe Line is in proration on the segment terminating in Patoka and/or Mobil Junction. Additional details are provided in section E6.

### **C. VALID NOMINATIONS.**

Carrier does not permit over-nominating. In order that estimated capacity may be prorated among shippers without discrimination, shippers shall submit valid and realistic nominations and schedules of shipments, which do not exceed either the volume of Crude expected to be available for shipment, or Carrier’s estimated capacity. Shippers may only nominate the maximum volume allocated to their respective shipper class. Example: New Shipper maximum volume nomination – 10% of monthly system capacity, Regular Shipper maximum volume nomination – 90% of monthly system capacity.

If Carrier reasonably believes that a shipper:

- a) Has nominated an amount of Crude that exceeds the volume of Crude the shipper will actually have available at the point of origin,
- b) Has previously withdrawn all or part of an accepted nomination from Carrier without acceptance by Carrier of such decreased nomination,

- c) Has nominated the same Crude to Carrier and to one or more other carriers,
- d) Has failed to comply with Carrier's Rules and Regulations, or
- e) Has failed to provide Carrier with required information in a timely manner;

then, Carrier reserves the right to take any of the following actions:

1. Require an affidavit from shipper stating under oath that the nomination is valid,
2. Reduce shipper's nomination to an amount Carrier believes to be the amount of Crude that the shipper will actually have available at the point of origin for the shipment,
3. Reject the entire nomination for the nomination period, or
4. limit the volume of crude accepted by the Carrier from the shipper in each of the next three (3) months in which the line is apportioned to not more than the volume of crude received by the Carrier from such shipper in the month of proration.

#### D. PRORATION PROCEDURES

1. **Proration** - The nominated volumes for each Regular Shipper and New Shipper shall be totaled and divided into the capacity of the pipeline. The resultant fraction will be the "Proration Factor." If the Proration Factor is one (1) or greater, no proration is needed. If proration is needed, the capacity of the pipeline will be initially allocated separately for New Shippers and Regular Shippers.

2. **New Shipper Proration** – Ten percent (10%) of the pipeline's capacity will be reserved for New Shippers.

If the pro rata allocation in a given month results in no New Shipper being allocated a monthly minimum Tender amount of 50,000 bbls, as defined in Rule 7, then the Carrier will administer a lottery using a software-generated random process for the total number of monthly minimum Tender allocations available to New Shippers. A New Shipper will not be allocated capacity through the lottery process if they are (i) an Affiliate of a Regular Shipper; or (ii) an Affiliate of another shipper who received an allocation through the lottery process. Detailed procedures regarding Carrier's [W] as lottery process are as follows:

Carrier will administer a lottery process, in order to allocate capacity to New Shippers as follows:

(a) Carrier will use a random number generating software to randomly assign each New Shipper a number from one to the number representing the total number of New Shippers participating in the lottery (i.e. if there are thirty New Shippers, numbers one through thirty will be assigned).

(b) The New Shipper with the number closest to one will receive the first monthly minimum Tender allocation. This process of assigning monthly minimum Tender allocations to the New Shipper with the number closest to one will continue until all of the available monthly minimum Tender allocations have been assigned. New Shipper allocations may be adjusted as necessary to meet the minimum batch size requirement.

3. **Regular Shipper Proration** - The remaining capacity after allocation to the New Shippers shall be allocated among Regular Shippers in proportion to their Average Daily Volume. Carrier shall implement Item D3 a single time only before proceeding to Item D4.

4. In the event any Regular Shipper is allocated more capacity than its nominated volume, the capacity it has been allocated in excess of its nominated volume will be reallocated among all other Regular Shippers in proportion to their Average Daily Volume until (i) such excess capacity has been distributed to other Regular Shippers or (ii) all of the Regular Shippers have been allocated a volume equal to their nominations, whichever occurs first.

5. If additional capacity exists after the application of Items D1 through D4 above, then such additional capacity will be allocated to all shippers on a pro rata basis. Nothing in this proration policy shall require the Carrier's total allocations to be less than the available capacity.

6. In addition, if the Prorated Segment is restricted because of a shipper's inability to meet Carrier's pumping and delivery rates, a volume equal to the volume of nominated capacity not utilized will be deducted from that shipper's succeeding month's allocation. The allocation reductions will not exceed the shipper's allocation, so any excess reductions will be carried forward to the next proration month.

7. If a shipper releases or is otherwise unable to use any or all of its allocated volume, Carrier will notify all the remaining shippers of the available space and will redistribute the space on a first-come, first-serve basis.

#### **E. GENERAL**

1. All shippers will continue to submit nominations for each subsequent month in accordance with Carrier's applicable tariff rules and regulations.

2. In no event shall a shipper utilize any portion of its nominated/prorated volume in any manner that will increase the volume allocation of any other shipper. Carrier shall have the right to require a written assurance, executed by a responsible officer of a shipper, concerning a shipper's use of its nominated/prorated volume. The written assurance shall contain a statement on behalf of the shipper that the provisions of this requirement have not been violated.

3. In the event any shipper shall, by any device, scheme or arrangement whatsoever, make available to another shipper, or in the event any shipper shall receive and use any space from a shipper through violation of this requirement, the allocated volume for both shippers will be reduced to the extent of the excess volume so made available or used. Carrier shall have the right to make these reductions any time after it becomes aware that such a violation or violations have taken place.

4. Except as provided in this item, allocated volumes may not be assigned, conveyed, loaned, transferred to, or used in any manner by another shipper. However, a shipper's shipment history may be transferred as an incident of the bona fide sale of substantially all of the shipper's business or to a successor to substantially all of the shipper's business. Transfers of a shipper's shipment history must be approved in advance by Carrier and shall be irrevocable once the transfer is approved.

5. For the purpose of allocating capacity, Carrier shall consolidate the transportation history and nominations of all accounts for shippers who have Multiple Shipper Accounts. Nothing in this item will allow a shipper to receive a capacity allocation greater than the total allocated capacity that such shipper would be entitled to if all of its transportation history was consolidated in one shipper account.

6. **[N]** Recognizing that shippers' accepted nominations can be impacted by apportionment on the Enbridge mainline, Carrier shall adjust each shipper's accepted nomination to the Post Mainline Apportionment Nomination. If a **[W]** Shipper utilizes less than ninety five percent (95%) of its **[W]** Post Mainline Apportionment Nomination ~~accepted nomination~~ in a given month, the **[W]** Shipper shall pay to the Carrier the Non-Performance Penalty, in addition to the transportation charge for volumes actually transported. However, the Non-Performance Penalty **[W]** shall ~~will~~ not be payable on that portion of any shortfalls caused by Force Majeure events, Carrier-imposed restrictions, or any carry-over volumes. The Non-Performance Penalty **[W]** shall ~~will~~ not be enacted for any period where the Carrier is not in pro-ration. The Non-Performance Penalty shall be equal to **[N]** two times the tariff in effect ~~the rate in effect~~ for the **[W]** accepted nomination period and applied to the difference between the shipper's actual transported volume and 95% of the **[W]** Post Mainline Apportionment Nomination ~~accepted nomination~~.

7. Carrier may allocate capacity on a different equitable basis during an emergency period.

8. Nothing in this policy is intended to preclude a shipper from conforming to the minimum batch size requirements as stated in Carrier's tariff rules and regulations. To the extent practical, Carrier will work with the shippers on an equitable basis with regard to meeting the minimum batch sizes.

**[N]** New

**[W]** Wording Changes