

**Inland Corporation**  
**Proration Policy**  
**Refined Products Pipelines**  
**July 1, 2021**

The intention of the Inland Corporation (“Carrier”) Proration Policy is twofold

- To allocate the capacity of a specific pipeline segment equitably among all Regular Shippers and New Shippers in the Nomination process.
- To maximize the actual utilization of the Capacity of a specific pipeline segment.

**Definitions**

For the purposes of this Proration Policy, the following terms are defined as:

- (1) Allocation means the pipeline capacity, expressed either in average barrels per day or total barrels, which Carrier apportions to a given Shipper during the period of proration.
- (2) Base Period means the period within which Shippers will establish their shipment history on the pipeline. It will consist of a continuous moving base of 12 consecutive calendar months beginning 14 months prior to the period of proration and ending 2 months preceding the period of proration. Such base period may include intervals when no proration is in effect.
- (3) Binding Nomination means the final Nomination tendered by a Shipper for a prorated line segment after being advised that said line segment is over nominated and subject to proration.
- (4) Extraordinary Operating Conditions means operating conditions which result in the capacity of the Pennsylvania Access Project available for shipments of Petroleum Products, or a segment thereof that is used to provide services, being reduced below the Design Capacity for any reason, including, but not limited to, events of force majeure, other weather conditions, repairs or maintenance.
- (5) Historic Shipment Ratio means the total number of barrels of Petroleum Product delivered by a Shipper on a pipeline segment during the applicable Base Period divided by the total number of barrels of Petroleum Product delivered by all Shippers as an aggregate on that same pipeline segment during the applicable Base Period as expressed as a percentage.
- (6) Nomination means a written designation by a Shipper to Carrier of an approximate quantity of Petroleum Products for transportation from a specified origin point to a specified destination point in accordance with Carrier’s Tariff.
- (7) New Pipeline Segment means a pipeline segment in the first six (6) months of commercial service.
- (8) New Shipper means (1) a Shipper with a Historic Shipment Ratio less than 2.5% during the Base Period or (2) a Shipper who does not meet the definition of a Regular Shipper.
- (9) Petroleum Products means a refined derivative of crude oil, the acceptable grades of which are defined in Carrier’s Product Codes and Specifications.
- (10) Prorated Binding Nomination means the awarded Allocation which is communicated to the Shippers by the Carrier, of which Shippers are obligated to tender 85%.
- (11) Regular Shipper means a Shipper which does not meet the definition of New Shipper. If a Shipper, that would otherwise be classified as a New Shipper, has a volume history in the prorated segment for each of the 12 months during the Base Period or such that calculating Shippers Allocation classifying the Shipper as a Regular Shipper results in a larger allocation than if that Shipper were classified as a New Shipper, said Shipper will be classified as a Regular Shipper.
- (12) Shipper means the transporter of Petroleum Products on the pipeline and the entity that submitted Nominations to the Carrier.
- (13) Tariff means the rate or rules and regulations tariff published by Carrier for governing shipments of Petroleum Products.

## Section 1

### (A) Application

Section 1 of this Proration Policy will be applied separately to each line segment when, during any period, the total volume of Petroleum Products nominated for shipment through any segment of the Carrier's pipelines is in excess of the capacity of said segment; except that the proration rule set forth in Section 2 will be applied to any New Pipeline Segment.

### (B) Petroleum Product Equivalency

Where appropriate, Carrier will, at its option, review Petroleum Products of differing flow rate characteristics and receiving and delivery facilities. Carrier will determine the flow configuration which maximizes the capacity and allocate all other flow configurations on an equivalent basis.

### (C) Allocations for New Shippers

Unless more capacity is required for Regular Shippers in Section 1(E), up to two and one-half percent (2.5%) of available capacity will be made to each new shipper subject to a total of ten percent (10%) of available capacity for all new Shippers. Petroleum Products nominated by a New Shipper during periods of proration not caused by unusual market conditions will be allocated pipeline capacity as follows:

- (1) If less than four (4) new shippers have submitted nominations for the affected segment, each shipper will be allocated the lesser of either two and one-half percent (2.5%) of available capacity or their nominated volume.
- (2) In the event that more than four (4) new shippers have submitted nominations for the affected segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the available pipeline capacity. The resulting percentage shall be the initial New Shipper proration factor. If there are less than four (4) new shippers then the initial New Shipper proration factor shall be 2.5%.
- (3) Each New Shipper will be allocated pipeline segment capacity equal to the lesser of:
  - (a) (2.5%) of available capacity,
  - (b) its nominated volumes,
  - (c) available capacity multiplied by the initial New Shipper proration factor.

Any remaining pipeline segment capacity will be allocated to Regular Shippers as set forth in Section 1(D). If there remains available pipeline capacity after New Shippers have been allocated capacity in accordance with the preceding paragraphs of this Section 1, and after Regular Shippers have received allocations equal to one-hundred per cent (100%) of their nominated volumes, the remaining available pipeline capacity shall be allocated to New Shippers equal to the lesser of their nominated volumes or in proportion to their respective New Shipper proration factors.

### (D) Allocations for Regular Shippers

Carrier may, without liability, allocate available pipeline capacity for any period in which Nominations exceed available capacity in accordance with the following procedures, proceeding to each succeeding step only if the Nominations continue to exceed available pipeline capacity.

- (1) Nominations not submitted to Carrier in accordance with Carrier's Tariff will be rejected, unless the Carrier has specifically instructed the Shipper to submit Nominations by another means or by a later date. Carrier, at its option, will reject nominations which do not have a valid product origin and/or destination.
- (2) When, it is determined that insufficient capacity is available to accommodate all valid, timely, and properly submitted Nominations, Carrier will notify each Shipper that has tendered a

Nomination for the affected line segment. Each affected Shipper will then have a period of two business days to reduce its Nomination. At 12:01am on the third business day following the day notification was made to Shippers, this adjusted Nomination shall be considered a Binding Nomination, or if a Shipper does not change or submit a reduced Nomination, then its initial Nomination shall be considered its Binding Nomination.

- (3) If Nominations continue to exceed available pipeline capacity, the percentage of pipeline capacity to be allocated to each Regular Shipper will be calculated by multiplying the Historic Shipment Ratio by the line capacity to determine the Allocation for each Regular Shipper. Each Regular Shipper will receive the lesser of its actual Nominations and its Allocation resulting from the above calculation.
- (4) In the event any Shipper is allocated more capacity than its nominated requirements, the excess of its allocation over its Nominations will be reallocated among all other Shippers with unsatisfied requirements in proportion to their Historic Shipment Ratio.
- (5) Allocations for Regular Shippers will be subject to reduction if required to accommodate New Shippers.
- (6) The Allocations are then communicated to Regular Shippers and New Shippers, this allocation shall be known as a Shipper's Binding Prorated Nomination.

(E) Unusual Market Conditions

If the Carrier, in its sole discretion, should determine that Nominations exceed capacity as the result of unusual petroleum product market conditions that are expected to be of a temporary nature, capacity will be allocated as follows: Each Regular Shipper who has utilized the pipeline segment subject to allocation during each of the 12 months during the Base Period will be allocated capacity equal to their average actual deliveries during the Base Period. Any unsatisfied Nominations of the Shippers who have utilized the pipeline segment subject to allocation during each of the 12 months during the Base Period, and the nominated volumes for other Regular Shipper(s) and any New Shipper(s) shall be allocated according to the procedures outlined in Sections 1(C) and 1(D).

(F) Penalties for Failure to Utilize Allocated Space

If a Shipper tenders a volume greater or equal to eighty-five percent (85%) of its Allocation, then such a Shipper shall be invoiced based on its delivered volumes. If a Shipper tenders less than eighty-five percent (85%) of its Prorated Binding Nomination, then Shipper shall be invoiced for its delivered volumes for that period, plus a charge equal to:

**Charge = (85% of Prorated Binding Nomination – Actual Volumes Delivered) \* Applicable Tariff Rate**

Charge will be waived when deliveries were reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by shipper.

(G) Allocation of Additional Capacity After Calculation and Notification of Prorated Binding Nominations

In the event that additional space or capacity become available on the prorated segment. Carrier will notify each Shipper that has tendered a Nomination for the affected line segment. This notification will advise shippers of the availability of the additional space and all pertinent details and conditions for tendering additional volumes to be shipped in the additional space. As part of the notification, Carrier will advise shippers of the means by which Shippers should submit requests for use the additional space, and the deadline by which all such requests must be submitted to the Carrier.

Carrier will allocate additional space in proportion to the Historic Shipment Ratios of the Shippers who properly submitted requests for use of the additional space.

Upon notification to a Shipper by the Carrier that additional space has been allocated, the Shipper will have twenty-four hours to accept the additional space allocation by notifying the Carrier of the Shippers intent to accept that space and submitting a Prorated Binding Nomination for the additional space. In the event that a Shipper that is allocated additional space under the provisions of this section and fails to accept or declines to use the additional space, Carrier will allocate additional space in proportion to the Historic Shipment Ratios of the Shippers who properly submitted requests, until all of the additional space is allocated.

(H) General

In the event that calculation of a Shipper's allocated nomination results in a volume less than the required minimum batch size, Carrier will at its option either round up the Shipper's nomination to the required minimum batch size or waive the minimum batch size requirement.

As delineated above, pipeline capacity is allocated among Regular Shippers based upon historical usage. Inflated Nominations do not result in increased capacity allocation. In no event will any portion of an allocation granted either to a Regular Shipper or New Shipper be used in such a manner that it will increase the allocation for any other Shipper beyond what it is entitled to under the proration policy.

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 Allocation from another Shipper through violation of this Proration Policy, then the allocated capacity for both Shippers will be reduced, to the extent of the Allocation so made available or used, in the next month after such violation becomes known to Carrier. In the event of sale, merger, consolidation or other material occurrence affecting a Shipper, Carrier shall make adjustments in allocations consistent with this Proration Policy.

**Section 2 — Initial Service of Pipeline**

(A) Application

Section 2 of this Proration Policy will only be applied when Carrier receives more Nominations in a month for transportation of Petroleum Products on a New Pipeline Segment. The first month of commercial operation of a New Pipeline Segment shall be marked by the effective date of Carrier's Tariff containing initial rates for the relevant pipeline segment.

(B) Allocations for New Shippers and Regular Shippers

Carrier may, without liability, allocate available pipeline capacity for any period in which Nominations exceed available capacity in accordance with the following procedures, proceeding to each succeeding step only if the Nominations continue to exceed available pipeline capacity.

- (1) Nominations not submitted to Carrier in accordance with Carrier's Tariff will be rejected, unless the Carrier has specifically instructed the Shipper to submit Nominations by another means or by a later date. Carrier, at its option, will reject nominations which do not have a valid product origin and/or destination.
- (2) When, it is determined that insufficient capacity is available to accommodate all valid, timely, and properly submitted Nominations, Carrier will notify each Shipper that has tendered a Nomination for the affected line segment. Each affected Shipper will then have a period of two business days to reduce its Nomination. At 12:01am on the third business day following the day notification was made to Shippers, this adjusted Nomination shall be considered a Binding Nomination, or if a Shipper does not change or submit a reduced Nomination, then its initial Nomination shall be considered its Binding Nomination.

- (3) If Nominations continue to exceed available pipeline capacity, the pipeline capacity to be allocated to New Shippers and Regular Shipper will be calculated by dividing the line capacity by the number of Shippers who submitted Nominations. Each Shipper will receive the lesser of its actual Nominations and its Allocation resulting from the above calculation.
- (4) In the event any Shipper is allocated more capacity than its nominated requirements, the excess of its allocation over its Nominations will be reallocated among all other Shippers with unsatisfied requirements in equally. This process will continue until no Shipper is allocated more capacity than its Nomination.
- (5) The Allocations are then communicated to New Shippers and Regular, this allocation shall be known as a Shipper's Binding Prorated Nomination.

(C) Penalties for Failure to Utilize Allocated Space

If a Shipper tenders a volume greater or equal to eighty-five percent (85%) of its Allocation, then such a Shipper shall be invoiced based on its delivered volumes. If a Shipper tenders less than eighty-five percent (85%) of its Prorated Binding Nomination, then Shipper shall be invoiced for its delivered volumes for that period, plus a charge equal to:

**Charge = (85% of Prorated Binding Nomination – Actual Volumes Delivered) \* Applicable Tariff Rate**

Charge will be waived when deliveries were reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by shipper.

(D) Allocation of Additional Capacity After Calculation and Notification of Prorated Binding Nominations

In the event that additional space or capacity become available on the prorated segment. Carrier will notify each Shipper that has tendered a Nomination for the affected line segment. This notification will advise shippers of the availability of the additional space and all pertinent details and conditions for tendering additional volumes to be shipped in the additional space. As part of the notification, Carrier will advise shippers of the means by which Shippers should submit requests for use the additional space, and the deadline by which all such requests must be submitted to the Carrier.

Carrier will allocate additional space in proportion to the ratio of Shipper's Nomination divided by the sum of all Shipper's Nominations of the Shippers who properly submitted requests for use of the additional space.

Upon notification to a Shipper by the Carrier that additional space has been allocated, the Shipper will have twenty-four hours to accept the additional space allocation by notifying the Carrier of the Shippers intent to accept that space and submitting a Prorated Binding Nomination for the additional space. In the event that a Shipper that is allocated additional space under the provisions of this section and fails to accept or declines to use the additional space, Carrier will allocate additional space in proportion to the ratio of Shipper's Nomination divided by the sum of all Shipper's Nominations of the Shippers who properly submitted requests, until all of the additional space is allocated.

another Shipper, or in the event any Shipper shall receive and use any Allocation from another Shipper through violation of this Proration Policy, then the allocated capacity for both Shippers will be reduced, to the extent of the Allocation so made available or used, in the next month after such violation becomes known to Carrier. In the event of sale, merger, consolidation or other material occurrence affecting a Shipper, Carrier shall make adjustments in allocations consistent with this Proration Policy.

(E) Termination of Section 2

The process in Section 2 will cease six (6) months after the effective date for the New Pipeline Segment, thereafter pipeline capacity will be allocated in accordance with Section 1.