

Sunoco Pipeline L.P.
Proration Policy
Texas Refined Products Pipelines
September 1, 2022

Definitions

For the purposes of this “Proration Policy,” the following terms shall be defined as set forth below. Any capitalized term used in this Proration Policy but not defined herein shall have the meaning assigned to such term in the applicable Tariff or TSA.

- (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 in accordance with the provisions of this Proration Policy.
- (2) Available Capacity means capacity that remains after allocation of capacity to Priority Service Shippers pursuant to Section (D) below, if applicable, which shall include Expansion Capacity that was not allocated to Priority Service Shippers pursuant to Section (D) below, and all Base Capacity.
- (3) Base Capacity means Segment Capacity that is not part of the Expansion.
- (4) 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.
- (5) 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.
- (6) Carrier means Sunoco Pipeline L.P.
- (7) Design Capacity means the total capacity of the System or any pipeline segment, as applicable, available for transportation of Petroleum Products under normal operating conditions.
- (8) EOC Segment Capacity means the total capacity available on a given segment during Extraordinary Operating Conditions, including Base Capacity and Expansion Capacity, if applicable.
- (9) Expansion or Expansion Capacity means the portion of the System for which Carrier accepted commitments from Priority Service Shippers during the Open Season.
- (10) Extraordinary Operating Conditions means operating conditions which result in System Capacity or Segment Capacity being reduced below the applicable Design Capacity for any reason, including, but not limited to, events of force majeure, other weather conditions, repairs or maintenance.
- (11) 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.
- (12) Minimum Volume Commitment means the monthly volume of Petroleum Products a Priority Service Shipper has agreed to transport on the Expansion during the term of its TSA in excess of such Priority Service Shipper’s Deficiency Period Base Volume, as such term is defined in the Priority Service Shipper’s TSA.

- (13) Nomination means a written designation provided by a Shipper to Carrier indicating an approximate quantity of Petroleum Products that Shipper intends to tender for transportation from a specified origin point to a specified destination point on Carrier's System. Nominations shall be made in accordance with the requirements set forth in Carrier's Tariff.
- (14) New Shipper means a Shipper who does not meet the definition of a Regular Shipper.
- (15) Open Season means the open season held by Carrier beginning on November 1, 2021 to obtain volume commitments on the Expansion.
- (16) Petroleum Product(s) means a refined derivative of crude oil, the acceptable grades of which are defined in Carrier's Tariff.
- (17) Priority Service Shipper means a Shipper that executed a TSA with Carrier.
- (18) Regular Shipper means (1) a Shipper which has a shipment history on the prorated segment for each of the 12 months during the Base Period, or (2) a Shipper that has a Historic Shipment Ratio that exceeds two and one-half percent (2.5%).
- (19) Segment Capacity means the total Design Capacity of a particular segment of the System, which shall include such segment's Base Capacity, and such segment's Expansion Capacity, if applicable.
- (20) Shipper means the transporter of Petroleum Products on the pipeline and the entity that submitted a Nomination to the Carrier.
- (21) System means Carrier's Petroleum Products pipeline transportation system, including all appurtenances thereto, utilized for the provision of transportation services provided by Carrier pursuant to the Tariff.
- (22) System Capacity means the Design Capacity of the System, which shall include both the Base Capacity and Expansion Capacity, if applicable, of all segments of the System.
- (23) Tariff means the rates and rules and regulations tariff(s) published by Carrier that govern the shipment of Petroleum Products on any segment of the System.
- (24) TSA means a transportation services agreement entered into between a Priority Service Shipper and Carrier for the transportation of Petroleum Products on the Expansion pursuant to the Open Season.

Proration Procedure

(A) Application

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 such segment of Carrier's System is in excess of Segment Capacity.

(B) Shippers' Binding Nominations

- (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 Central time 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.

(C) Petroleum Product Equivalency

Where appropriate, Carrier will, at its option, review Petroleum Products of differing flow rate characteristics and the receipt and delivery capabilities of connecting facilities. Carrier will determine the flow configuration which maximizes Segment Capacity and System Capacity and allocate all other flow configurations on an equivalent basis. For the avoidance of doubt, connecting facilities that are not capable of receiving or delivering Petroleum Products into Carrier's System at optimum flow rates may be allocated in order to maximize capacity.

(D) Allocation of Expansion Capacity to Priority Service Shippers

If applicable with regard to a given segment and under normal operating conditions, Carrier shall first allocate to each Priority Service Shipper an amount of Expansion Capacity equal to the lesser of (1) its Minimum Volume Commitment, as such Minimum Volume Commitment is defined under the terms of the Priority Service Shipper's TSA, or (2) the portion of its Nomination that is in excess of the Priority Shipper's Deficiency Period Base Volumes. Nominations by Priority Service Shippers other than those made to satisfy such Priority Service Shippers' Minimum Volume Commitments are allocated pursuant to the procedures set forth in Sections (E)-(F) below, including, for clarity, nominations made by a Priority Shipper to satisfy such Priority Shipper's Deficiency Period Base Volumes, as such term is defined and quantified in such Priority Service Shipper's applicable TSA.

The previous paragraph notwithstanding, during Extraordinary Operating Conditions that reduce Segment Capacity such that the EOC Segment Capacity with regard to such segment is equal to or less than the Expansion Capacity for such segment, Allocations of Expansion Capacity to Priority Service Shippers on such segment shall be reduced by the lesser of: (1) a percentage that equals the percentage reduction in Segment Capacity that is caused by the Extraordinary Operating Condition, or (2) a percentage that provides sufficient Available Capacity to satisfy all Nominations that are made by Shippers other than Priority Service Shippers pursuant to such Priority Service Shippers' TSAs (subject to the limitations in (E) below regarding allocations to New Shippers). All Priority Service Shippers shall have their Allocation of Expansion Capacity reduced by the same percentage in making such capacity available.

For clarity, if Extraordinary Operating Conditions cause a service disruption on only a certain segment or segments of Carrier's System, Carrier shall continue to provide full operational service with respect to the unaffected portions of Carrier's System.

(E) Allocations to New Shippers

After Expansion Capacity has been allocated to Priority Service Shippers in accordance with Section (D) above, Carrier shall allocate Available Capacity to New Shippers pursuant to this Section (E). Up to two and one-half percent (2.5%) of Available Capacity will be allocated to

each New Shipper, up to a total of ten percent (10%) of Available Capacity for all New Shippers, pursuant to the procedure set forth below.

- (1) If total Nominations by all New Shippers are equal to or less than 10 percent (10%) of Available Capacity on the affected segment, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of Available Capacity or such New Shipper's Nominated volume.
- (2) In the event that total Nominations by all New Shippers are greater than 10 percent of Available Capacity on the affected segment, each New Shipper shall first be Allocated the lesser of (1) its Nomination, or (2) its pro rata share of ten percent (10%) of Available Capacity. If less than ten percent (10%) of Available Capacity has been allocated pursuant to the foregoing step and any New Shippers have remaining unmet Nominations, the remainder of the ten percent (10%) of Available Capacity will be allocated pro rata among the New Shippers with remaining unmet nominations, subject to each New Shipper receiving no more than its Nomination or two and one-half percent (2.5%) of Available Capacity on the affected segment. Any remaining Available Capacity will be allocated to Regular Shippers as set forth in Section (F).

(F) Allocations to Regular Shippers

After Available Capacity has been allocated to Priority Service Shippers and New Shippers in accordance with Sections (D)-(E) above, Carrier shall allocate remaining Available Capacity to Regular Shippers pursuant to this Section (F).

- (1) The percentage of Available Capacity to be allocated to each Regular Shipper will be calculated by multiplying the Historic Shipment Ratio by the Available Capacity to determine the Allocation for each Regular Shipper. Each Regular Shipper will receive the lesser of its actual Nomination and its Allocation resulting from the above calculation.
- (2) If there remains Available Capacity after Regular Shippers have received Allocations equal to one hundred percent (100%) of their Nominated volumes, the remaining Available Capacity shall be allocated to New Shippers pro rata until all remaining New Shippers' Nominations are met, or until no capacity remains to be allocated.
- (3) After all capacity has been allocated in accordance with this Policy, the Allocation to each Shipper will then be communicated to all Priority Service Shippers, Regular Shippers, and New Shippers.

(G) 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 Available 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 (E) and (F).

(H) 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 Allocation, then Shipper shall be invoiced for its delivered volumes for that period, plus a charge (the "Charge") equal to:

$$\text{Charge} = ((\text{Allocation} * \text{Applicable Tariff Rate} * 85\%) - (\text{Actual Volumes Delivered} * \text{Applicable Tariff Rate}))$$

The Charge will be waived when a Shipper's receipts were reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by Shipper.

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

In the event that additional capacity becomes available on a prorated segment after all Shippers have been notified of their Allocations in accordance with the provisions above, 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 capacity and all pertinent details and conditions for tendering additional volumes to be shipped in such capacity. As part of the notification, Carrier will advise Shippers of the means by which Shippers should submit requests to use the capacity, and the deadline by which all such requests must be submitted to the Carrier.

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

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

(J) 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 this 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.