

Calnev Pipe Line, L.L.C.
CONNECTION POLICY

Any Shipper seeking to obtain a connection to the pipelines and other facilities of Calnev Pipe Line, L.L.C. (the “Calnev System” or “System”) under Calnev’s currently effective rules and regulations tariff shall comply with the following requirements:

1. **Application.** Any Shipper (“Applicant”) requesting approval for a connection from its pipeline or other facilities (the “Connecting Pipeline”) to the Calnev System shall make an application to Calnev. The application shall include the following:

(a) Name(s) of Applicant and the owner and the operator of the Connecting Pipeline, listed separately if Applicant is not also the owner and operator of the Connecting Pipeline. If Applicant (or the owner or operator of the Connecting Pipeline) is a legal entity other than an individual, the application shall include documentation establishing the legal status of such entity and the authority and capacity of the officer or manager signing the application.

(b) Sufficient information to determine the creditworthiness and financial strength of Applicant, such sufficiency to be determined in the sole discretion of Calnev.

(c) A resume covering the experience of Applicant with regard to the operation of facilities similar to the Connecting Pipeline.

(d) Technical data with respect to the petroleum products to be injected, for purposes of equipment sizing and cost analysis, including, but not limited to, product type, operating temperatures, average and peak throughput rates, and any operating pressure limitations to be considered in connection with design.

(e) A complete description (“Project Outline”) of (i) the Connecting Pipeline, (ii) Applicant’s equipment and other facilities necessary or appropriate for measurement and stream analyses, surveillance and/or communication facilities, piping and housing, and any other auxiliary

equipment and facilities necessary or appropriate for the connection (the “Connection Facilities”), and (iii) any other facilities to be connected to the System.

(f) Designation of the location where Applicant desires to establish a connection and the proposed location of the equipment to be attached directly to the System to make the connection possible as well as any necessary piping to the Connecting Pipeline, including the first block valve, transmix return piping and any facilities for future pipeline connections (the “Connection Tap”).

(g) Maximum and minimum average achievable flow rates and pressures at the Connection Tap.

(h) A summary of Applicant’s current safety program including training, safety awareness, and operating rules.

(i) A list of all permits, Environmental Impact Statements, approvals, and other compliance documents required by appropriate State and Federal agencies for the Connection Facilities and Connection Tap, with an indication of the status of Applicant’s application for or preparation of such permit approval or other document. To the extent that preliminary approvals or permits have been or can feasibly be obtained prior to processing the connection application, evidence of such approvals or permits shall be submitted along with the application.

(j) A statement by Applicant that it has read the currently effective Calnev Pipe Line, L.L.C. tariffs pertaining to the proposed movement, including the Rules and Regulations Tariff, and acknowledges that the tariffs, as amended from time to time, will govern the proposed movement and that, in any conflict between the tariffs and any connection agreement entered into by Calnev and the Applicant, the tariffs shall govern.

The Application shall be delivered to the Director of Business Development, Kinder Morgan Energy Partners, 1100 Town & Country Road, Orange, California 92868.

2. **Approval of Petroleum Products.** Petroleum products to be tendered shall meet the requirements of Calnev's Rules and Regulations Tariff.

3. **Review and Approval of Applications.** Calnev shall examine each application for completeness and return any incomplete application to Applicant with instructions on additional requirements. Within 90 days after its receipt of a complete application, Calnev shall notify Applicant of the approval or disapproval of the application.

4. **Requirements for Approval of Application.** Calnev shall not approve applications for connection to the System unless the application includes evidence satisfactory to Calnev in its sole discretion that:

(a) Applicant has sufficient financial resources to comply with Article 8 of this Connection Policy, to pay the costs of building the Connection Facilities and the Connection Tap, and to discharge any liability that could arise in connection with the operation of the Connection Tap, the Connection Facilities, and the portion of the Connecting Pipeline that is in the vicinity of the System, including damage to the Connection Tap, to the Connection Facilities, to System facilities, to System shippers (including loss or damage to petroleum products being transported in the System), to property of other parties (including environmental or other damage to the public domain), and death or injury to any individuals;

(b) Applicant can and will obtain insurance in accordance with Article 14;

(c) Applicant has adequate experience and technical competence to operate the proposed Connecting Pipeline;

(d) the Connection Tap, Connection Facilities, and Connecting Pipeline can be constructed and operated in a manner that does not pose a threat to the safety or security of System facilities, of the petroleum products shipped through the System, or of the property or persons of others in the vicinity of the System, the Connection Tap, the Connection Facilities, or the Connecting Pipeline;

(e) the Connection Tap, Connection Facilities, and Connecting Pipeline do not pose a substantial risk of damage to the environment; and

(f) the Connection Tap, Connection Facilities, and Connecting Pipeline can be constructed and operated in accordance with all applicable laws, rules, and regulations.

5. **Connection Agreement.** If Calnev approves the application, it shall furnish to Applicant a form of agreement incorporating the pertinent terms and conditions set forth herein and other reasonable terms and conditions appropriate under the circumstances of the specific connection being sought (“Connection Agreement”). Applicant shall promptly tender the executed form of Connection Agreement to Calnev. Calnev shall not commence any activities related to implementation of the requested connection until the executed agreement is returned to Calnev.

6. **Engineering and Design Work.**

(a) **Design.** After submission of its application and in no event later than 12 months after Calnev’s approval of the application, Applicant shall, at its expense, provide for Calnev’s approval a complete engineering design for the Connection Tap and Connection Facilities. Calnev shall approve or disapprove the design within 180 days after its submission. Applicant shall make its engineering staff available during such 180-day period to meet and confer with Calnev’s engineering staff, and shall make such changes to the design as directed by Calnev. If Calnev disapproves the design, Calnev may, at its option, either (i) terminate any Connection Agreement that has been entered into, or (ii) provide Applicant with an opportunity to make such changes to the design that Calnev directs and resubmit the design to Calnev.

(b) **Project Outline.** Upon approval of the design by Calnev, Applicant will amend the Project Outline consistent with the approved design, and after Calnev’s approval of such amendment, the revised Project Outline will be appended as Exhibit C to any Connection Agreement and made a part thereof.

(c) Construction Changes. Applicant shall construct the Connection Tap and Connection Facilities as directed by Calnev. During construction, Calnev shall be entitled to make any changes in the plans and methods of construction and impose any stipulations that it deems necessary to protect the safety, security, and integrity of the System.

(d) Location of Facilities. Calnev shall endeavor to accommodate to the degree feasible the Applicant's requested location for the Connection Tap; provided that the determination of such location shall be made by Calnev in its reasonable judgment based on the physical and operational circumstances of the System.

(e) Tie-In Point. Calnev will provide, and Applicant shall adhere to, minimum specifications consistent and compatible with the standard specifications for System facilities for designing and constructing Applicant's facilities at the point where the Connecting Pipeline joins the Connection Tap, which Calnev shall operate (the "Tie-in Point"). Neither the Connection Tap nor Connection Facilities will be operated if Calnev determines that facilities at the Tie-In Point or any other portion of Applicant's facilities are not properly constructed and maintained to be compatible with the Connection Tap, the Connection Facilities, and the System's operations.

7. Construction of Connection Tap and Connection Facilities.

(a) Contractor. Applicant shall submit the name of the proposed construction contractor for the Connection Tap and the Connection Facilities, for approval by Calnev, along with a copy of the construction contract, detailed plans and specifications, insurance policies in proper form, and other documentation as required. Applicant shall provide documentation that all employees and contractors meet United States Department of Transportation requirements for Operator Qualification and Alcohol/Drug Testing. Applicant shall provide contractor's United States Operational Safety and Health Administration safety records. Work shall not commence until Calnev has reviewed and approved all of such items. As to any work to be performed on Calnev's right-of-way, Calnev may require payment and performance bonds that meet its

satisfaction, and the contractor will be required to comply with reasonable rules and regulations issued by Calnev. The Applicant and its contractor shall provide Calnev with access to the job site at any time for inspection. If Calnev, in its sole discretion, notifies Applicant that (i) the contractor is not complying with such rules and regulations, (ii) a safety hazard exists, or (iii) the results of the work will not be in compliance with the plans and specifications or will not be compatible with the System, Applicant shall promptly cause the contractor to cease its activities to the extent and for as long as necessary to correct the problem.

(b) Compliance with design. Calnev shall not approve the Connection Facilities and Connection Tap for operation until Calnev is satisfied that such facilities are in compliance with the engineering drawings, plans, specifications, and any other technical requirements imposed by Calnev. Within 90 days of completion, Applicant shall provide as-built drawings to Calnev of those facilities Calnev will operate and/or maintain.

(c) Dismantlement, removal, and restoration. Before commencement of construction of the Connection Tap and Connection Facilities, Applicant shall provide financial assurances satisfactory to Calnev that Applicant will be able to pay the estimated costs of dismantling and removing the Connection Tap, the Connection Facilities, such other facilities Applicant owns in the vicinity of the System, and restoring the area affected thereby. Any initial or subsequent construction by Applicant in conjunction with this connection shall be removed and the property restored to its original condition at Applicant's sole expense. Applicant shall be responsible for dismantlement, removal, and restoration costs, if any, that Calnev incurs with respect to the Connection Tap, the Connection Facilities, and any other facilities Applicant owns in the vicinity of the System.

8. **Costs to be Borne by Applicant.**

(a) Connection costs. Applicant shall bear all costs incurred in connection with the application for and design and construction of the Connection Facilities, the Connection Tap, and

the Connecting Pipeline, including but not limited to costs of engineering, design, inspection, procurement, maintenance, management, supervision, construction, professional services, environmental assessment and mitigation, dismantlement, removal, and restoration, governmental regulatory applications and approvals, any capital expenditures for rights-of-way, leases or other land acquisitions required, communication systems and software, together with usual overhead and other customary mark-ups on any of such costs.

(b) Originating connection. If applying for an originating connection, Applicant shall also provide, at its own cost, the following: facilities to the point of connection, pumping capacity to meet pressure and flow rates in the pipeline segment, metering facilities built to Calnev's specifications and to be operated and maintained by Calnev at Calnev's cost, facilities to handle interfaces (including flush lines and transmix tanks), power for both the pumping and the metering facilities, and all SCADA and communications equipment necessary for remote monitoring and control by Calnev.

(c) Delivery connection. If applying for a delivery connection, Applicant shall also provide, at its own cost, the following: facilities from the point of connection that include adequate tankage to hold expected pipeline batch volumes, metering facilities built to Calnev's specifications and to be operated and maintained by Calnev at Calnev's cost, facilities to handle pressure surges (*e.g.*, a relief tank), facilities for handling transmix, and all SCADA and communications equipment necessary for remote monitoring and control of the connection by Calnev. All of the facilities included in this subparagraph (c) must be rated for delivery pressures and full-stream flow rates.

(d) Calnev costs. Applicant shall reimburse Calnev for all costs reasonably incurred by Calnev pursuant to the Connection Agreement, as described below.

(1) Salaries and wages of Calnev's employees and contractors, including inspectors, employed in the conduct of activities pursuant to the Connection Agreement.

(2) A fixed payroll burden allowance of 19.4% of the employees' salaries and wages mentioned in Item 1 above, representing approximate costs to cover employee benefits, employee insurance plans, unemployment compensation, workers' compensation, medical plans, and other similar indirect payroll costs applicable to the employees whose salaries and wages are chargeable under this section.

(3) Actual travel and business expenses of Calnev's employees and contractors whose salaries and wages are chargeable under this section.

Thirty days after execution of the Connection Agreement, Calnev will provide to Applicant an estimate of Calnev's costs. Applicant shall reimburse Calnev 100% of Calnev's estimated costs pursuant to the following schedule: 50% prior to start of construction and 50% prior to tie-in of the Connection Tap. If at any time after the execution of the Connection Agreement but prior to completion of the connection Applicant terminates the project, Applicant shall reimburse Calnev for the costs incurred to date.

(e) Calnev accounts. Calnev shall maintain accurate accounts of all of its expenses, costs, and liabilities incurred pursuant to this Agreement. Following completion of construction, Calnev shall submit to Applicant a final statement of accounts showing all costs hereunder by appropriate investment categories. Such statement shall be in sufficient detail to enable appropriate charges to the proper account under the FERC Uniform System of Accounts for Oil Pipeline Companies. Applicant shall pay Calnev's final invoice within 30 days of receipt thereof. Following receipt of the final invoice and upon notice in writing to Calnev, Applicant shall have the right for 60 days to audit Calnev's accounts and records relating to Calnev's performance of its obligations pursuant to the Connection Agreement. If Applicant exercises such right to audit, it shall make every reasonable effort to conduct its audit in a manner that will result in a minimum of inconvenience to Calnev. Calnev shall bear no portion of Applicant's audit cost.

9. **Connection Facilities.** The Connection Facilities generally shall include, but not be limited to, (a) measurement and stream analyses (or sampling) facilities, (b) surveillance and/or communication facilities, including transmitting and receiving facilities and including back-up communication facilities that are compatible with other System facilities that will transmit to Calnev or allow Calnev to obtain information on (i) volume and quality of petroleum products moved through the Connection Facilities, (ii) the current operational status of the Connection Facilities, and (iii) operational control of delivery/receipt valves, and (c) necessary pumping, piping, housing, and any other auxiliary equipment and facilities necessary or appropriate for the connection. To the fullest extent possible, these requirements shall be accomplished using Calnev's SCADA equipment. The Connection Tap shall not be considered a part of the Connection Facilities.

10. **Provisions for SCADA.** Applicant shall provide sufficient space in environmentally controlled buildings at any pumping stations of Applicant that are part of the Connection Facilities and the Tie-In Point, for Calnev's SCADA equipment. Unless otherwise specified, the space required is approximately three feet of clear wall space with six feet clearance in front of the wall. If a separate building is provided, the minimum size is six feet by eight feet. Applicant shall provide conduit runs and wires between Calnev's SCADA equipment and the related components to be monitored and/or controlled. Applicant shall provide labor for landing the wires. Applicant shall provide a primary and backup communication circuit solely dedicated to SCADA communications. Applicant agrees to comply with Calnev SCADA security requirements.

11. **Custody, Responsibility, Ownership, and Liability For Product.** The point of custody transfer for the petroleum products delivered to the System by Applicant shall be the Tie-In Point. Applicant shall be responsible for, and shall indemnify Calnev for, any loss, cost, damage, claim, demand, or liability associated with petroleum products delivered by Applicant to the System that occurs within the Connecting Pipeline or the Connection Facilities or otherwise upstream of the point of custody transfer, regardless of how the same occurs and whether or not the same is caused in whole or in part by the failure

of Calnev's equipment, including to the extent arising out of the negligence of Calnev but excluding to the extent arising out of the gross negligence or willful misconduct of Calnev. Responsibility for and indemnification against any loss or liability arising after the point of custody transfer shall be governed by Calnev's applicable tariff.

Title to all petroleum products received at the Tie-In Point shall remain in the name of the shipper of record. Calnev shall not be responsible for any taxes that may be assessed against such petroleum products. Calnev shall not be liable as an insurer of petroleum products received at the Tie-In Point.

12. **Changes in Methods of Operation.** In the event that changes in the composition of the petroleum products transported in the System or in the methods by which the System is operated require additions to, replacement, dismantling, or modification of or changes in the method of operation of the Connection Facilities, the Connection Tap, the Connecting Pipeline, or any other facilities owned or used by Applicant, Applicant shall, at its own expense, perform such additions, replacements, dismantling, modifications, or changes, and Calnev shall not be liable therefor. The engineering, design, and construction of any proposed modification to the Connection Facilities or the Connection Tap is subject to Articles 6, 7, and 14 hereof. Applicant shall indemnify and hold harmless Calnev from and against any such liability and any and all claims, demands, causes of action, and losses arising out of any assertion of such liability, whether by the Applicant or otherwise.

13. **Indemnification.** Each party shall indemnify, defend, and hold the other party, its parent, and affiliates, harmless from and against any and all liability, claims, demands, damages, or costs whatsoever for injuries to or deaths of persons (including but not limited to employees of the parties hereto), and loss or destruction of and damage to property (including but not limited to property of the parties hereto) arising out of the indemnifying party's construction, operation, and/or maintenance of that party's designated portion of the facilities described herein, except to the extent caused by or contributed to by the negligent acts or omissions of the other party.

14. **Insurance.** With respect to and for the duration of any Connection Agreement executed pursuant to this Connection Policy, Applicant shall carry and maintain in force, with companies licensed in the state where the connection is and satisfactory to Calnev, the insurance listed on Exhibit A. The limits of liability on the insurance policies listed in Exhibit A shall not release Applicant from full and total financial responsibility for all matters for which it accepts liability hereunder even if such liability is not covered by insurance or exceeds the applicable policy limits.

If permitted under applicable law, and at the sole discretion of Calnev, Applicant may substitute self-insurance for one or more of the insurance coverages required in Exhibit A.

15. **Environmental Liability.** Each party shall indemnify, defend, and hold the other party, its parent, and affiliates harmless from and against any and all liability, claims, demands, damages, costs, fines, or penalties whatsoever (including but not limited to reasonable consultants' and attorneys' fees) for soil, water, air, or other environmental contamination or damage arising in any way or occurring from the construction, maintenance, repair, use, operation, removal, or presence of the Connecting Pipeline, Connection Tap, or Connection Facilities, caused by or contributed to by the acts or omissions of the indemnifying party, except to the extent caused by or contributed to by the acts or omissions of the indemnified party. As used herein, the term "soil, water, air, or other environmental contamination or damage" shall include, but not be limited to, (1) contamination or damage resulting in any way from the presence, treatment, storage, or disposal of hazardous materials on the Connecting Pipeline, Connection Tap, or Connection Facilities, or the release of hazardous materials onto or from the Connecting Pipeline, Connection Tap, or Connection Facilities, or (2) any aggravation of costs of remediation or cleanup that arise from or are related in any way to the presence, treatment, storage, or disposal of hazardous materials on the Connecting Pipeline, Connection Tap, or Connection Facilities, or to the release of hazardous materials onto or from the Connecting Pipeline, Connection Tap, or Connection Facilities. As used herein, the term "hazardous materials" shall include, but not be limited to, (1) materials and substances designated as hazardous or toxic wastes, substances, or materials, or as pollutants or contaminants, under any Federal,

State, or local law, regulation, or order, including, but not limited to, the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, *et seq.*), and the Federal Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, *et seq.*); or any similar laws of the state in which the Connecting Pipeline, Connection Tap, and Connection Facilities are located; and (2) oil or petroleum product that has been discharged or deposited on or off the Connecting Pipeline, Connection Tap, or Connection Facilities at locations from which the oil or petroleum product has been or probably will be discharged into waters of the states or waters of the United States. This indemnity includes but is not limited to response costs, remedial costs, and any other fines or costs sought by any Federal, State, or local agency under any laws, regulations, or orders.

In addition to Applicant's procuring and maintaining the insurance coverage under Article 14, Calnev may require, in its sole discretion, one or more of the following assurances of Applicant's ability to satisfy its indemnification and hold harmless obligations with respect to environmental liability, which shall together have a total value of not less than \$2,000,000: (i) insurance, (ii) guaranty, (iii) surety bond, and (iv) self-insurance, which Calnev shall evaluate in its sole discretion.

Until such time as the Connection Tap, the Connection Facilities, the Connecting Pipeline, and any other facilities owned by Applicant in the vicinity of the System are dismantled and removed, Calnev may periodically require that Applicant renew its demonstration of its ability to satisfy the indemnification and hold harmless obligations with respect to the environmental liability that Applicant has under this Article 15.

16. **Ownership and Operations Responsibility.**

(a) Calnev Operations Responsibility. Calnev shall be responsible to operate remotely or otherwise certain components of the Connection Tap and Connection Facilities, including but not limited to mainline block valves, mainline pumps, pressure/flow control valves, metering system (which includes prover, gravitometer, temperature measurement, automatic flash tester and SCADA equipment) and sampling facilities. Calnev shall have exclusive use of the measurement

facilities during the term of the connection. Calnev personnel shall have full and complete access to the Connection Tap and Connection Facilities at all times, to allow Calnev to perform its operational responsibilities as set forth in this paragraph. Calnev shall comply with all applicable federal, state and local laws, rules, regulations and ordinances concerning its operations hereunder.

(b) Applicant Operations Responsibility. Applicant shall be responsible to operate remotely or otherwise certain components of the Connection Tap and Connection Facilities as outlined in the Connection Agreement. In carrying out its operational responsibilities hereunder, Applicant shall comply with all applicable federal, state and local laws, rules, regulations and ordinances.

(c) Calnev Maintenance Responsibilities. Calnev shall be responsible for performing maintenance and/or repairs, and control of certain components of the Connection Tap and Connection Facilities, including but not limited to mainline block valves, pressure/flow control valves, metering system (which includes prover, gravitometer, temperature measurement, automatic flash tester and Calnev SCADA equipment), and sampling facilities. Applicant shall reimburse Calnev for all expenditures in excess of \$2,500 per item (costs of material and outside contractor's services). Applicant shall provide Calnev personnel full and complete access to the Connection Tap and Connection Facilities at all times.

(d) Applicant Maintenance Responsibilities. Applicant shall be responsible for maintenance of certain components of the Connection Tap and Connection Facilities, including but not limited to maintenance, repair and replacement of all materials associated with the mainline pumps and Connecting Pipeline. In carrying out their maintenance obligations hereunder, Applicant and Calnev shall comply with all applicable federal, state and local laws, rules, regulations and ordinances.

(e) Facilities to be Owned by Calnev. Upon completion of the connection, ownership of all the appurtenances attached directly to the Calnev System shall be vested in Calnev. The facilities to be owned by Calnev will be shown in Exhibit A to the Connection Agreement.

(f) Facilities to be Owned by Applicant. Upon completion of the connection, Applicant shall own the Connection Tap and Connection Facilities, excluding all appurtenances attached directly to the Calnev System. The facilities to be owned by Applicant will be shown in Exhibit A to the Connection Agreement.

17. **Assignment.** Applicant shall not assign any right or authority under this Connection Policy or under the Connection Agreement without the prior written approval of Calnev. It shall be a condition to any such approval that the proposed assignee satisfy all qualifications and comply with all requirements imposed on Applicant herein, including the execution of a Connection Agreement satisfactory to Calnev.

18. **Change of Ownership, Management, or Financial Strength.** Calnev reserves the right to withdraw approval of any application in the event that the ownership, management, or financial status of Applicant changes substantially, unless Applicant presents evidence that the new ownership, management, or financial status satisfies the requirements for approval of an application under this Connection Policy.

19. **Safety.** Applicant shall at all times maintain the Connecting Pipeline in a safe operating condition, and Applicant shall conduct a comprehensive safety program for its employees consistent with the program referred to in Article 1(h). Calnev shall be entitled to inspect portions of the Connecting Pipeline located on or in the vicinity of the System right-of-way to determine whether such portions of the Connecting Pipeline are being operated safely.

20. **Compliance with Laws.** The Connecting Pipeline shall be built, maintained, operated, dismantled, and removed in compliance with all applicable laws and lawful regulations.

21. **Halting Receipts or Deliveries.** Calnev shall be entitled to halt receipts from or deliveries to the Connecting Pipeline at any time, without notice, in the event that (i) any aspect of the Connection

Tap, the Connection Facilities, the Connecting Pipeline, or the operation thereof becomes unsafe or becomes a threat to the environment, (ii) the Connection Facilities or Applicant's required communication facilities are not in operation, (iii) the System or any segment or component of the System is not in operation for any reason, including, without limitation, scheduled or unscheduled maintenance or repairs, (iv) Applicant is delinquent in payment of any sums due Calnev, (v) Applicant is in default under or has failed to satisfy any of the terms and conditions of this Connection Policy including, without limitation, Articles 14 and 15, and (vi) the Connecting Pipeline is not built, maintained, or operated in accordance with all applicable laws and lawful regulations.

22. **Modification of Policy.** Calnev shall be entitled to modify this Connection Policy from time to time as it may deem necessary or convenient for the operation of the System, the Connection Tap, or the Connection Facilities.

23. **No Representation or Certification.** Nothing contained in this Connection Policy and no actions taken by Calnev in administering this Policy shall be deemed (i) to indicate any representation or certification to any party that Applicant or Applicant's operations are safe or technically or environmentally sound or otherwise adequate for any purpose, or (ii) to constitute a guarantee or warranty of the safety or adequacy of the Connection Tap, Connection Facilities, or Connecting Pipeline. Calnev shall not be liable to Applicant or to any third party for any loss, cost, expense, damage, or injury arising out of the construction or operation of the Connection Tap, the Connection Facilities, the Connecting Pipeline, or any other activities of Applicant or its contractors on or in the vicinity of the System.

24. **Independent Contractor Status.** In all its operations hereunder, Calnev shall be, and shall be deemed to be, an independent contractor retaining control of its employees, agents, representatives, and operations, and shall not be authorized in any way to incur liability to third parties on Applicant's behalf. Likewise, in all of its operations hereunder, Applicant shall be, and shall be deemed to be, an independent contractor retaining control of its employees, agents, representatives, and operations, and shall not be authorized in any way to incur liability to third parties on Calnev's behalf.

25. **Transmix Handling.** Shippers of record supplying product to the System from the Connecting Pipeline will be allocated transmix in accordance with Calnev's Rules and Regulations Tariff, Item 80. It is anticipated that additional transmix could be created through operation of the facilities installed pursuant to this Connection Policy. Operations will require that at the end of each scheduled pumping, Applicant must have a sufficient quantity of the next product scheduled for pumping to flush the metering facility, pumping station, and the Connecting Pipeline to the Tie-In Point. Any slugs created through inaccuracies in the flushing operation or any transmix created due to Applicant's inability to meet Calnev's product flushing requirements will be to the sole account of Applicant.

26. **Scheduling.** Shippers of record utilizing the Connection Facilities shall nominate batches for shipment in the System in accordance with Calnev's normal nominating procedures, as described in Item 100 of Calnev's currently effective rules and regulations tariff. All such movements shall be coordinated through Applicant's personnel or designated representatives. Applicant will be responsible for ensuring on-spec product is available at the mainline valve(s) to the Calnev System. Applicant shall comply with all provisions in the latest edition of Calnev's Pipeline Specifications Manual including product quality certification and pre-delivery requirements.

Exhibit A

APPLICANT INSURANCE REQUIREMENTS

BASIC INSURANCE PROVISIONS

Applicant, with respect to and for the duration of any Connection Agreement executed pursuant to this Connection Policy, shall procure and maintain solely at its own expense the following insurance coverages with financially responsible insurance companies (AM Best rating of A-VII or better) and with policy limits not less than those indicated:

- (a) Workers' Compensation and Employers' Liability Insurance, in accordance with all applicable state and federal insurance laws, specifically including the following:
 - (1) Employer's Liability, including Occupational Disease, subject to a limit of liability of not less than \$1,000,000 each occurrence.
 - (2) Waiver of subrogation, in favor of Calnev.
- (b) General Liability Insurance to cover liability for bodily injury and property damage with a combined single limit of not less than \$1,000,000 each occurrence. Such insurance shall include the following:
 - (1) Premises and Operations.
 - (2) Protective Liability, covering for work sublet.
 - (3) Completed Operations.
 - (4) Contractual Liability hereunder.
 - (5) Coverage for surface damage from blowout and cratering, if applicable.
 - (6) Coverage for damage arising from explosion, collapse, or underground property damage hazards, if applicable.
 - (7) Pollution liability.

- (8) Calnev shall be named as an additional insured for all risks and losses for which Applicant assumed liability under any Connection Agreement executed pursuant to this Connection Policy or for which Applicant is otherwise legally liable.
- (c) Business Automobile Liability Insurance, with a combined single limit of not less than \$1,000,000 each occurrence or higher as required by applicable laws or regulations. Such policy shall cover liability for bodily injury and/or property damage arising out of the possession and/or use of all owned, hired, non-owned and borrowed vehicles. Such insurance shall include contractual liability. Calnev shall be named as an additional insured for all risks and losses for which Applicant has assumed liability under any Connection Agreement executed pursuant to this Connection Policy or is otherwise legally liable.
- (d) Aircraft Liability Insurance, including non-ownership, for all owned and non-owned aircraft used in the performance of any contract hereunder, to cover liability for bodily injury and property damage with a combined single limit of not less than \$1,000,000 each occurrence. Calnev shall be named as an additional insured for all risks and losses for which Applicant is legally liable.
- (e) Excess Liability, a limit of liability of \$5,000,000 each occurrence to be in excess of the following coverages as listed in Exhibit A:
- Section: a-1
 - b
 - c
 - d
- (f) Builders All Risk Insurance to cover all construction and installation work being performed by, for, or at the direction of the Applicant and including any and all loss, damage and/or impairment to the existing facilities of Calnev.

The policy limit shall be determined by Calnev in its sole discretion.

SPECIAL PROVISIONS CONCERNING POLICIES PLACED BY APPLICANT

1. The amounts specified in the insurances mentioned above are not limits of liability and shall not be construed in any way as Calnev's acceptance of responsibility for financial liabilities in excess of such amounts.
2. All insurances carried by the Applicant shall be primary and non-concurrent with any other insurance coverage available to Calnev.
3. All the deductibles applicable to the said insurances shall be solely for the account of Applicant.
4. All insurance policies shall be endorsed to provide Calnev with at least thirty (30) days notice prior to cancellation or any material change. If Applicant does not obtain and keep in force any insurance required of it under the above provisions or provide Calnev with certificates or renewal certificates as and when required, Calnev shall have the right to procure and keep in force any such insurances and pay such premium or premiums as may be necessary for that purpose in which event any sums so paid by Calnev in this regard shall immediately become due and payable to Calnev by Applicant, and Calnev shall be entitled to deduct such sums from any monies due or that may become due to Applicant in addition to any other remedies Calnev may have under any Connection Agreement executed pursuant to this Connection Policy or otherwise at law.
5. Applicant shall fully indemnify Calnev against loss or damage arising out of any failure to effect or maintain such insurance coverage specified herein or out of any act or omission which invalidates the said insurances or that causes the whole or part of any payment made thereunder to be refunded.
6. Prior to commencement of pipeline construction and/or operation, Applicant shall furnish Calnev with certificates of insurance in respect of all insurance carried by it during the performance of the said work. Renewal coverage shall be obtained by Applicant as and

when necessary, and renewal certificates of insurance shall be forwarded to Calnev as soon as they are available and in any event prior to the expiration of the policy so renewed.

7. Applicant shall require all of its contractors to provide the foregoing insurance coverages to the extent not provided for and not covered by Applicant's insurance coverages, and any deficiencies in the coverage or policy limits of said contractors shall be the sole responsibility of Applicant.