

PRORATION POLICY

Purpose of Policy

The purpose of this Proration Policy is to enable Products (SE), "PPL", to comply with its statutory obligations as a common carrier pipeline. This Proration Policy is intended to equitably allocate capacity among all shippers desiring to ship petroleum products at times when the aggregate monthly Nominations received from shippers for a line segment exceed the available capacity of such segment of the system for that month. For purposes of clarity, Carrier shall allocate capacity on a line-segment by line-segment basis pursuant to the provisions of this Proration Policy.

Definitions

"Affiliated Shipper" means any shipper, whether a Regular Shipper, New Shipper, or prospective shipper that is directly or indirectly controlled by, under the common control of, or otherwise affiliated with any other shipper on Carrier's system. In order to determine if a shipper or prospective shipper is controlled by, under the common control of, or otherwise affiliated with another shipper on Carrier's system for purposes of applying this Proration Policy, Carrier will consider a number of factors, including but not limited to, whether the applicable shippers or prospective shippers share common owners, parent companies, affiliates, registered agents, directors, officers, managers, organizers, employees, schedulers, mailing addresses, email addresses, telephone numbers, fax numbers, internet protocol addresses, or financial information.

"Base Capacity" means all available capacity on the affected line segment for a given period excluding, if any, (a) the lesser of (i) the Expansion Capacity associated with such line segment, or (ii) the amount of Expansion Capacity actually allocated to all Committed Shippers in the same period and (b) Interim Service Movements.

"Base Period" is the 12-calendar month period just proceeding the Calculation Month.

"Base Shipments" are the average monthly movements by a Regular Shipper during the Base Period utilizing Base Capacity and for which the Regular Shipper paid a rate other than the Committed Rate. Base Shipments will be calculated by dividing the total Base Capacity movements by the Regular Shipper on the affected line segment during the Base Period, excluding any Interim Service Period Movements by the Regular Shipper on the same segment, by 12.

"Calculation Month" is the calendar month just preceding the "Proration Month."

"Committed Rate" means the transportation rate a Committed Shipper has agreed to pay in a TSA for priority service.

"Committed Shipper" means a Shipper that has entered into a TSA with Carrier which contains a minimum throughput commitment by such Shipper on the affected line segment.

"Cooperating Shipper" means any shipper or prospective shipper that is (i) an Affiliated Shipper or (ii) acts in concert with, pursuant to the direction of, or in coordination with, another shipper, whether written or verbal.

“Deficient Volume” has the meaning set forth in Paragraph 10 of the Section below entitled “Proration Procedure.”

“Expansion Capacity” means 21,000 barrels per day of capacity from the Baton Rouge, LA and Collins, MS origin points to the Roanoke, VA destination point, as may be reduced for a given month due to a force majeure event, as provided for in a Committed Shipper’s TSA.

“In-Service Date” means the first day that the entire Expansion Capacity is available and Carrier is able to provide transportation service to any Committed Shipper utilizing all or a portion of the Expansion Capacity at a committed transportation rate.

“Interim Service Period Movements” means all volume of product(s) moved by a shipper, regardless of its status, on any portion of the Expansion Capacity that is available for use prior to the In-Service Date.

A "New Shipper" on a given line segment is any shipper that is not a "Regular Shipper." A shipper’s status as a New Shipper as to a particular line segment does not result in that shipper being a New Shipper for any other line segment, and a Committed Shipper’s status as a Regular Shipper with respect to Expansion Capacity, and all movements by a Committed Shipper with respect to such Expansion Capacity, shall be disregarded and of no effect for purposes of determining such Shipper’s status on the same line segment with respect to Base Capacity.

“PPL” or “Carrier” means Products (SE) Corporation.

"Proration Month" is the calendar month for which capacity is being allocated pursuant to this Proration Policy

A "Regular Shipper" means (1) a Shipper that has made Base Shipments on a particular line segment of Carrier’s pipeline system during each consecutive month of the Base Period and/or (2) as of the In-Service Date, a Committed Shipper that has shipped product or made payments for failure to ship product utilizing Expansion Capacity on the affected line segment in each consecutive month of the Base Period pursuant to a TSA; provided however, that each Committed Shipper shall be deemed to be a Regular Shipper with respect to the Expansion Capacity on such affected line segment for the first Contract Year as well despite not having 12 months’ of shipper history with respect to the Expansion Capacity. A Shipper that is a Regular Shipper on the affected line segment will lose its status as a Regular Shipper if it does not ship product on the affected line segment in each month of the Base Period, or, in the case of a Committed Shipper with respect to the Expansion Capacity on the affected line segment, if it does not ship and, despite the obligations of its TSA, fails to make payments for the failure to ship product utilizing the Expansion Capacity on the affected line segment in any month of the Base Period. A shipper’s status as a Regular Shipper as to a particular line segment does not result in that shipper being a Regular Shipper for any other line segment, and a Committed Shipper’s status as a Regular Shipper with respect to Expansion Capacity, and all movements by a Committed Shipper with respect to such Expansion Capacity, shall be disregarded and of no effect for purposes of determining such Shipper’s status on the same line segment with respect to Base Capacity.

A "Nomination" is a shipper's documented intent to ship a certain quantity of product on Carrier’s system, as described in Item 100 of PPL’s rules and regulations tariff, FERC No. 154.1.0 or any subsequent reissues thereof.

“Open Season” means the open season held by Carrier that commenced on October 2, 2018 with respect to the Expansion Capacity.

“TSA” means a Transportation Services Agreement by and between a Shipper and Carrier for product transportation service on Carrier’s system which contains a minimum throughput commitment and shortfall payment obligation and was executed as a result of the Open Season.

Nominations Volumes

When the management of PPL determines that it may be necessary to allocate capacity on a specific pipeline segment, PPL may request shippers to furnish updated Nominations of volumes to be shipped in the next succeeding shipping month or portion of a month. If PPL determines that the resulting nominated volumes exceed the available capacity of the affected pipeline segment, the affected segment will be prorated in accordance with this Proration Policy.

All movements on a prorated segment of the pipeline must be nominated by the 5th day of the month proceeding the month in which the product is to be moved.

Proration Procedure

When Nominations for any month exceed the capacity in any segment of the PPL system, PPL shall notify each Shipper by electronic mail of the capacity exceedance and that such segment shall be prorated in accordance with this Proration Policy. Pipeline capacity for the prorated segment shall be allocated among shippers in that segment by the following procedure:

1. The Expansion Capacity on a prorated line segment, if applicable, will be allocated to Committed Shippers based on their contracted level of priority service. At the time of Nomination, a Committed Shipper shall be entitled to the lesser of (1) the Committed Shipper’s TSA volume commitment with respect to the Expansion Capacity on the affected line segment, or (2) such Committed Shipper’s Nomination for Expansion Capacity on the affected line segment; provided, that if the total volume Nominated for Expansion Capacity in a given month on the affected line segment exceeds the Expansion Capacity available on the affected line segment in such month, each such Committed Shipper will receive a pro rata allocation of the available Expansion Capacity, with such allocation being determined by dividing such Committed Shipper’s initial Nomination for Expansion Capacity (not to exceed its TSA volume commitment for the month) by the total of all such Committed Shippers’ initial Nominations for Expansion Capacity (each such Nomination not to exceed the Committed Shipper’s TSA volume commitment).
2. After the allocation of Expansion Capacity to Committed Shippers, if any pursuant to Paragraph 1 above, up to 1% of the total available Base Capacity of the prorated line segment will be allocated to any New Shipper that submits a Nomination; provided, however, that total capacity allocated to all New Shippers that submits a Nomination shall not exceed 5% of the total available Base Capacity of the prorated line segment. If the number of New Shippers and/or the Nominations of New Shippers would exceed the 5% of available Base Capacity of the prorated line segment, the 5% of available Base Capacity will be prorated equally to all New Shippers.

3. After the allocation of capacity to New Shippers pursuant to Paragraph 2 above, all remaining available capacity on the prorated segment shall be available to Regular Shippers that have Nominated volumes for the Proration Month. Each Regular Shipper shall be allocated an amount of such remaining capacity during the Proration Month that is equal to the lesser of (i) the Regular Shipper's Base Shipments on Carrier's system during the Base Period, divided by the total Base Shipments of all Regular Shippers during the Base Period, which resulting percentage shall be multiplied by the total available Base Capacity for Regular Shippers, or (ii) its Nomination
4. In the event any Regular Shipper is allocated more capacity than its Nomination, the excess capacity will be reallocated among all other Regular Shippers in proportion to their unsatisfied Nominations.
5. PPL shall then notify each Shipper by electronic mail that the amount of their allocated capacity is available on the customer website.
6. Upon receipt of their capacity allocation, each shipper will have a 2-business day grace period, commencing the day after the shipper's allocation is posted on the customer website, to make any changes to its Nomination (the Nomination resulting after said 2-business day grace period, the "Base Nomination").
7. Any excess capacity resulting from a shipper's reduction in its Nomination pursuant to Paragraph 6, may be reallocated to Regular Shippers (excluding any Regular Shippers that have reduced their Nomination), at PPL's sole discretion, but on a not unduly discriminatory basis.
8. Regular Shippers receiving additional capacity allocations pursuant to Paragraph 7 shall be notified by electronic mail that their revised allocated capacity is available on the customer website. Upon receipt of their revised capacity allocation, each such Regular Shipper will have a 2-business day grace period, commencing the day after the Regular Shipper's revised allocation is posted on the customer website, to accept or decline the revised capacity allocation. Regular Shippers receiving additional allocated capacity may decline the additional capacity without penalty during this 2-business day grace period, but no such Nomination may be reduced below the Base Nomination.
9. Upon the expiration of the 2-business day grace period, all capacity allocations under Paragraphs 6 and 8 are considered final and binding upon shippers; provided, however, that additional capacity may be allocated to shippers under Paragraph 12 and such additional capacity shall not be considered as part of a shipper's final and binding capacity allocation for purposes of applying the penalty provision of Paragraph 10.
10. Any shipper that fails to deliver to PPL during the Proration Month, based on receipt tickets, the total volume of Base Capacity allocated to such shipper during the Proration Month shall pay a fee for the amount of shipper's unused allocated Base Capacity. Such fee shall be calculated by multiplying [W][I]\$0.4575 per barrel times the positive difference between (i) the total volume of Base Capacity allocated to shipper for the Proration Month and (ii) the actual barrels transported by shipper with respect to such Base Capacity in the Proration Month ("Deficient Volume").
11. In the event PPL is unable to accept all or a portion of a shipper's Nomination during the Proration Month, which causes shipper to have Deficient Volume, such shipper shall not

be subject to the deficiency charge of [W][I]\$0.45 ~~75~~ described in Paragraph 10 for the amount of shipper's Deficient Volume that resulted from PPL's inability to accept all or a portion of shipper's Nomination.

12. If a shipper does not use the capacity allocated to it under this Proration Policy at the times and in the amounts designated by the Carrier, Carrier shall have the right to use shipper's unused capacity to fulfill the unmet Nominations of other shippers.
13. PPL reserves the right to adjust nominated volumes and/or Base Shipments to prevent permanent loss of allocated capacity of any shipper due to requests by PPL to redistribute deliveries, force majeure or other causes beyond the control of a shipper.

Transfer, Loan, Assignment or Conveyance of Capacity and Shipment History

New Shipper or Regular Shipper capacity allocations or shipment history may not be assigned, conveyed, loaned or transferred to any shipper provided, that nothing herein shall prevent a Committed Shipper from assigning its rights and obligations under a TSA pursuant to the terms of the TSA. Further, New Shipper or Regular Shipper capacity allocations or shipment history may not be used by any shipper or prospective shipper other than the shipper assigned such allocation by Carrier. However, a shipper's capacity allocation or shipment history may be transferred as an incident of the bona fide sale of the shipper's business or to a successor to the shipper's business by the operation of law, such as an executor or trustee in bankruptcy.

In no event shall any portion of an allocation to a shipper be used in such a manner that it will increase the allocation of another shipper or any Cooperating Shipper beyond what they are entitled to under this Proration Policy or in the case of Regular Shippers, seek New Shipper status, in its own name or through any Cooperating Shipper. Shippers are prohibited from pooling two or more allocations of capacity to the benefit of a single shipper but this restriction shall not prohibit a Committed Shipper from receiving both an allocation of Expansion Capacity and Base Capacity. Further, a shipper may not create, use or otherwise work with a Cooperating Shipper in order to circumvent this Proration Policy for the purposes of improperly obtaining additional capacity on Carrier's system, becoming a Regular Shipper, establishing shipment history, or any other improper purposes.

Shippers shall have the burden of demonstrating that they are not in violation of this Proration Policy. To this end, PPL may require written assurances from a responsible official, through the submission of a notarized affidavit or similar document, stating that the shipper is not violating this requirement with respect to the use of allocated capacity.

In the event that PPL determines that a shipper or potential shipper is in violation of the requirements and prohibitions set forth in this Section (Transfer, Loan, Assignment or Conveyance of Capacity and Shipment History), Carrier will enforce the following penalties, as applicable: (1) deny requested New Shipper status to a Cooperating Shipper; (2) void the Nomination of a Cooperating Shipper for the applicable Proration Month; (3) upon the second finding by PPL of a violation by any shipper of the requirements and/or prohibitions in this Section, bar such shipper from shipping on the pipeline during the next Proration Month.

HIGH LEVEL ALARMS

PPL will cooperate with customers and terminal companies in the installation of tank high-level alarms at customer terminals and will take certain actions if alarms are activated. A copy of the policy covering tank high-level alarms is available from the Operations Control Department.

INTERFACE HANDLING

Interface generated in the mainline system between Collins, Mississippi and Greensboro, North Carolina will be disposed of by the carrier. At all other terminus points of each line, interface will be delivered to the customers on a pro rata basis. Where interface is delivered to the customers, the value of such interface will be the average settlement price of 1/2 unleaded regular gasoline, and 1/2 common kerosene/aviation kerosene.

NEW CUSTOMER REQUIREMENTS

New customers requesting to move product on PPL's pipeline system are asked to provide specific information to establish shipper status. Information currently requested includes:

- General company information, including your latest annual report, credit references, the name of your primary bank, and a current Dun & Bradstreet report.
- The name(s), address(es), and telephone number(s) of those who will receive ticket and/or invoice correspondence.
- The name(s) and telephone number(s) of the person(s) authorized to schedule your movements on PPL.

The Commercial Development Department is available to help you become a PPL customer.

A shipper that has not moved product on any PPL pipeline segment during any of the 24-months preceding the Proration Month will lose its shipper status on PPL's pipeline system, will no longer be considered a New Shipper, and will have to comply with the requirements of this Section (New Customer Requirements) in order to re-obtain shipper status on PPL's pipeline system.

CUSTOMER CLAIMS

Occasionally during the course of operations, differences may occur between the PPL delivery and customer delivery volumes. If a discrepancy is noted by a shipper, the shipper should contact the PPL Pipeline Engineer – Measurement (see Section 1) of the Customer Information Manual to request an investigation and provide claim details. Every effort will be made to process the claim in a timely manner. Once the investigation completes, the shipper will be notified of the outcome and necessary corrections will be made if warranted.