

# **SUNOCO PIPELINE L.P.**

## **PRORATION POLICY**

### **Refined Products Pipelines**

#### **March 1, 2015**

The intention of the Sunoco Pipeline L.P.'s ("Carrier") Proration Policy is twofold:

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

Carrier may implement this Proration Policy anytime the Nominations on a specific pipeline segment exceed the Capacity on that pipeline segment. The Proration Policy is in compliance with Carrier's obligations under Part I of the Interstate Commerce Act.

#### **Definitions:**

Adjusted Nominations means the valid and binding modified Nominations that are received by Carrier from Shippers, once the Shippers have been notified that a specific pipeline segment has been prorated.

Allocation Month means any month in which the Nominations of all Shippers on a specific pipeline segment exceed the Capacity of that pipeline segment, thereby causing Carrier to implement this Proration Policy.

Base Period means the period of months during which current Shippers establish their Historic Shipment Ratio. This would be the twelve (12) consecutive months ending with the second month prior to the Allocation Month for which Nominations are being apportioned.

Capacity means the practical throughput capability for the Allocation Month of a pipeline segment expressed in thousands of barrels per day.

Carrier means the pipeline company, Sunoco Pipeline L.P. that accepts Nominations for, and transports Petroleum Products on its common carrier refined product pipeline system.

Historic Shipment Ratio means the average barrels per month ("BPM") transported on a specific pipeline segment by a Shipper over the Base Period divided by the total average volume of Petroleum Products transported through that specific pipeline segment per month during the Base Period. (Example: On pipeline segment "A" with a total average volume transported within the Base Period of 500,000 BPM, and a Shipper with a Base Period history of transporting 400,000 BPM on that pipeline segment, that Shipper's Historic Shipment Ratio would be 80%).

New Shipper means any nominating party who has a Historic Shipment Ratio of zero.

Nomination means the volumes of Petroleum Products that a Shipper formally requests the Carrier to transport for the account of the Shipper for the Allocation Month.

Proration Policy means this document that is the official written description of the process by which Carrier will allocate Capacity on its common carrier pipelines in an equitable manner to all Shippers when Nominations on any segment of the pipeline system exceed the Capacity of that segment.

Petroleum Products means a refined derivative of crude oil, the acceptable grades of which are defined in Carrier's "Products Specifications Book".

Shipper means the transporter of Petroleum Products on the pipeline and the entity that submitted Nominations to the Carrier.

Unused Allocation means that portion of the allocated Capacity awarded to a Shipper on a prorated pipeline segment that is projected to go unused based on Shipper's Nominations.

### **The Allocation Methodology**

An Allocation Month is any month within which this Proration Policy is implemented. During an Allocation Month, the allocation of Capacity on a specific pipeline segment to the respective Shipper will be based upon each Shipper's Petroleum Products Historic Shipment Ratio within the Base Period.

1. The Capacity allocated to each Shipper during an Allocation Month will be determined by multiplying each Shipper's Petroleum Products Historic Shipment Ratio by the Capacity of the prorated pipeline segment. For segments with origins in Fostoria, OH to destinations in Eastern Ohio and Western Pennsylvania, for each of the first six (6) months after the commencement of pipeline operations, the Historic Shipment Ratio of each shipper that signs a throughput and deficiency agreement pursuant to the Open Season that commenced July 19, 2012 will be based on the greater of such shippers (A) Minimum Volume Commitment multiplied by the number of days in the applicable month, or (B) BPM transported over a specific pipeline segment over the Base Period.
2. If the result of the allocation calculation for a Shipper in Item #1 is less than the minimum batch size, then the Shipper's allocated Capacity will be increased to the minimum batch size of the allocated pipeline segment for the Allocation Month.
3. If the result of the calculation in Item #1 for a Shipper is greater than that Shipper's Nomination, then the Shipper's allocated Capacity will be reduced to equal its Nomination but in no case will the allocated Capacity be less than the minimum batch size on the Carrier's system.

4. New Shippers will be included in the allocation of Capacity. Since a New Shipper will have a Petroleum Products Historic Shipment Ratio of zero, such Shipper will be limited to a maximum of 2.5% of the pipeline segment's Capacity in any Allocation Month. If this allocated Capacity is greater than the New Shipper's Nomination, then the New Shipper's allocated Capacity will be reduced to equal its Nomination, but in no case will the allocated Capacity be less than the minimum batch size.

5. In the aggregate, New Shippers will be limited to a maximum of 10% of the pipeline segment's Capacity in any Allocation Month.

6. Where there are more than four New Shippers on an allocated pipeline segment, each New Shipper will be allowed to transport their prorated share of the total of 10% of the allocated Capacity. In no case will a New Shipper's allocated Capacity be less than the minimum batch size on the Carrier system.

7. Where Item #4 is implemented, all allocations to Shippers with a Historic Shipment Ratio will be adjusted proportionately downward.

When it is determined that insufficient Capacity is available to accommodate all valid, timely, and properly submitted Nominations, Carrier will so notify each Shipper that has tendered a Nomination for the affected pipeline segment. Each 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.

No movements will be considered above the amount that the Shipper has been allocated for shipment, nor will Carrier accept a Nomination which exceeds the Capacity of Carrier's pipeline segment to transport.

In the event that a Shipper, who in spite of having a binding Nomination on the prorated pipeline segment, then attempts to withdraw that binding Nomination, and as a result the pipeline Capacity is not fully allocated following application of Items #1 through #7 above, the newly available pipeline Capacity shall be allocated in the following manner:

- A. Each Shipper with Nominations exceeding their allocated Capacity will be allocated a portion of the remaining pipeline Capacity in the same proportion as that which they have been assigned on the allocated pipeline segment.
- B. If there are no Shippers who have Nominations exceeding their allocated Capacity, all Shippers who have Nominations on the allocated pipeline segment will be notified that there is additional Capacity on the pipeline segment. All Nominations from these Shippers will be honored in the same proportion that their allocated Capacity is to the aggregated allocated Capacity of all Nominations from Shippers.

If the allocated Capacity awarded to a Shipper on a prorated pipeline segment goes unused by that Shipper ("Unused Allocation"), then that Shipper is accountable for payment of the tariff fees for the actual shipments, or 85% of the Nomination, whichever is greater. These charges will be

waived when there exists Unused Allocation as a result of deliveries having been reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by the Shipper. This charge only applies when the pipeline segment is in proration.

In the event that a Shipper releases all or any part of its allocated Capacity in sufficient time prior to the Allocation Month to permit Carrier to reallocate and revise the schedule, and as a result the Carrier is then able to solicit other Shippers to fully utilize that Capacity, that Shipper's allocation will be reduced without penalty.

Carrier will carefully examine Nominations, using every means available to ensure that they are true and realistic and will challenge any Nominations that appear to be inflated. Carrier may require written assurances from responsible officials of Shippers requesting use of allocated Capacity, stating that this requirement has not been violated.

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