

ROCKY MOUNTAIN PIPELINE SYSTEM LLC

Western Corridor Proration Procedures

Effective Date: May 1, 2002

When there shall be tendered to the Carrier for transportation on the Carrier's pipeline system or any part thereof under applicable tariffs, more crude petroleum than can be currently transported, the transportation furnished by the Carrier shall be apportioned among shippers in a fair and equitable manner so as to avoid discrimination among shippers and so as not to adversely affect the reasonable operations of the Carrier's facilities.

Each month after interstate and intrastate nominations are received and it is determined that prorating of the system is necessary, intrastate barrels and interstate barrels as a group will both receive a fair and equitable allocation of the capacity of the system, and both will be prorated. Within the group of intrastate barrels, proration will be handled on a current tender basis. Within the group of interstate barrels, proration will be handled on a historical basis with viscosity adjustments. The following procedures apply to interstate nominations:

I. Definitions:

"Regular Shipper" is any shipper having a record of movements in the line segment being prorated during the Base Period.

"New Shipper" is any shipper who is not a Regular Shipper. A New Shipper will become a Regular Shipper 12 months after the month the New Shipper first nominates.

"Initial Nomination" is the shipper's nomination made to the carrier for pipeline transportation.

"Revised Nomination" is the shipper's adjusted nomination after notification from Carrier that Initial Nominations exceed pipeline capacity. If shipper does not submit a Revised Nomination, then Initial Nomination become Revised Nomination.

"Prorated Nomination" is the resulting amount of capacity available to a shipper after Carrier has completed the prorationing process.

"Proration Month" is the calendar month for which capacity is to be allocated.

"Available Capacity" is the amount of pipeline capacity in barrels per day for the Proration Month for the pipeline system or line segment being prorated.

"Allocation Factor" is a fraction where the numerator is the Available Capacity and the denominator is the sum total of all interstate and intrastate nominations.

"Base Period" is the 12 calendar month period beginning one month prior to Proration Month.

"Base Shipments" are each Regular Shipper's actual average monthly movements in the segment being prorated during the Base Period.

“Proration Factor” is used to adjust a Regular Shipper’s monthly nomination. “Historical Allocation” is the method used to allocate shipper’s nominated volumes once Proration is needed. This method establishes a shipper’s Proration Factor by dividing a Regular Shipper’s Base Shipments by the pipeline’s (or segment’s) average throughput during the Base Period. “Viscosity Factor” is a factor applied to a shippers allocated space to account for the viscosity of nominated crude types. See Attachment A.

II. Proration Procedures:

1. Carrier will contact shippers and notify them of proration and allow each shipper the opportunity to voluntarily reduce its nomination, if so desired. Individual nominations of amounts greater than line capacity will not be allowed.
2. Carrier will verify Revised Nominations as needed.
3. Up to three percent (3%) of the prorated system’s capacity will be allocated to New Shippers. This space will be allocated to New Shippers as follows:

$$\text{New Shipper's Prorated Nomination} = \frac{\text{New Shipper allocated system capacity} \times \text{New Shipper's nomination}}{\text{sum of all New Shippers' nominations}}$$

4. The remaining capacity will be allocated among Regular Shippers in proportion to their Base Period Shipments (Historical Allocation). This allocated space is further adjusted by the Viscosity Factor.

$$\text{Regular Shipper's Prorated Nomination} = \frac{\text{Remaining pipeline capacity} \times \text{Regular Shipper's Proration Factor}}{\text{X Viscosity Factor}}$$

5. In the event any shipper is allocated more capacity than its Revised Nomination, the excess of its allocation over its Revised Nomination will be reallocated among all other shippers in proportion to their Base Shipments.

Example Calculations:

Proration Month:	April		
		<u>Initial Nominations</u>	<u>Revised Nominations</u>
Shipper A (Intrastate Shipper)		5,000 BPD	5,000 BPD
Shipper B (Intrastate Shipper)		2,000 BPD	2,000 BPD
Shipper C (Interstate Shipper)		12,000 BPD	11,000 BPD
Shipper D (Interstate Shipper)		7,000 BPD	7,000 BPD
Totals		26,000 BPD	25,000 BPD

Available Capacity= 20,000 BPD
 Allocation Factor=.8000 (20,000/25,000)

	Revised Nominations	Alloc Factor	Prorated Nominations
Shipper A (Intrastate Shipper)	5,000 BPD	.8000	4,000 BPD
Shipper B (Intrastate Shipper)	2,000 BPD	.8000	1,600 BPD
Shipper C (Interstate Shipper)	11,000 BPD	.8000	8,800 BPD
Shipper D (Interstate Shipper)	7,000 BPD	.8000	5,600 BPD
Totals	25,000 BPD		20,000 BPD

Interstate Historical Proration:

#1. Capacity available to Interstate Shippers:

Available Capacity minus capacity assigned to Intrastate Shippers, or
 20,000 BPD minus (4,000 BPD plus 1,600 BPD) equals 14,400 BPD

#2. Historical Allocation:

Shipper C (Interstate Shipper)-Base Shipments = 100,000 barrels per month
 Shipper D (Interstate Shipper)-Base Shipments = 85,000 barrels per month

Pipeline average movements during Base Period = 185,000 barrels per month

Shipper C Proration Factor = .54 (100,000/185,000)
 Shipper D Proration Factor = .46 (85,000/185,000)

	Remaining Pipeline Capacity	Proration Factor	Prorated Nomination
Shipper C	14,400	.5400	7,776
Shipper D	14,400	.4600	6,624
Totals			14,400

This example does not include a 3% new Shipper allocation or Viscosity Adjustments.