

# Pipeline Proration Policy – Jayhawk Pipeline, LLC

## 1. Purpose of This Proration Policy

There may be times when Carrier, in its sole discretion, determines that its capacity is not sufficient to transport the full volume of nominated volumes submitted to it by shippers. If increased capacity is not readily available, a method to provide equitable proration of capacity to shippers will be utilized. Space in each segment will be allocated between “Regular Shippers” and “New Shippers” using the following proration policy:

## 2. Definitions

- 2.1. *The “Allocation Calculation” is the method used to allocate Shippers nominated volumes once Proration is needed (A Regular Shipper’s Base Shipments divided by systems average throughput during the base period equals the percent of the proration month’s capacity that Shipper is entitled to ship).*
- 2.2. *The “Base Period” is the 12-calendar month period beginning 13 months prior to the Proration Month and excluding the month preceding the month of allocation. For example; if April, 2014 is the Proration month, the 12-month period begins in April, 2013 (month 1) and runs through March, 2014 (month 12).*
- 2.3. *“Base Shipments” are the average monthly movements by a Regular Shipper during the Base Period. Base Shipments will be calculated by dividing a Regular Shipper’s total volume shipped during the Base Period by 12 months.*
- 2.4. *“Carrier” shall mean Front Range Pipeline, LLC.*
- 2.5. *The “Monthly Segment Capacity” is defined by Carrier, per segment(s), on a monthly basis and can include allowances for maintenance and other issues that could result in rate restrictions.*
- 2.6. *A “New Shipper” is any shipper that has not had a record of movements in the line segment being prorated during the Base Period. A New Shipper will become a Regular Shipper 12 months after the first month the New Shipper nominates.*
- 2.7. *The “New Shipper Proration Factor” the resultant fraction when the nominated volumes for each New Shipper are totaled and divided into 5% of the Monthly Segment Capacity.*
- 2.8. *The “Proration Factor” is a fraction calculated by dividing the capacity of the line segment to be prorated by the total nominations.*
- 2.9. *The “Proration Month” is the calendar month for which capacity is to be prorated.*
- 2.10. *A “Regular Shipper” is any shipper who does not qualify as a New Shipper.*
- 2.11. *A “Shipper” shall include both a Regular Shipper and a New Shipper.*

## 3. Valid Nominations

Carrier does not permit over-nominating. In order that estimated Monthly Capacity may be prorated among all Shippers without discrimination, Shippers shall submit valid and realistic nominations and schedule of shipments, which do not exceed either the volume expected to be available for shipment, or Carrier's estimated Monthly Segment Capacity.

3.1. If Carrier reasonably believes that a Shipper:

- 3.1.1. has nominated an amount that exceeds the volume which will actually be available at the point of origin,
- 3.1.2. has previously withdrawn all or part of an accepted nomination from Carrier without acceptance by Carrier of such a decreased nomination,
- 3.1.3. has nominated the same volume to Carrier and to one or more other carriers,
- 3.1.4. has failed to comply with Carrier's Rules and Regulations, or
- 3.1.5. has failed to provide the Carrier with required information in a timely manner.

3.2. Then, the Carrier reserves the right to take any of the following actions:

- 3.2.1. Require an affidavit from Shipper stating under oath that the nomination is valid.
- 3.2.2. Reduce Shipper's nomination to a volume that Carrier believes to be the amount, which will actually be available at the point of origin for the nomination.
- 3.2.3. Reject the entire nomination for the nomination period.

A Shipper's space allocation for the next Proration Month for which the Shipper nominates may be reduced by the amount of allocated throughput not shipped in the preceding Proration Month unless such failure is excused by force majeure.

Space allocated to a Shipper may be neither assigned to, nor used to the benefit of another Shipper, without the prior written consent of Carrier. Carrier may require written assurances from responsible officials of Shippers that this provision has not been violated. In the event such provision is violated, the allocated space for all Shippers involved in the violation shall be reduced by the amount of the unauthorized space obtained; the reduction being effective for the remainder of the current month as well as the next month of proration.

#### 4. Proration Procedures

##### 4.3. Proration

- 4.3.1. The nominated volumes for each Regular Shipper and New Shipper shall be totaled and divided into the Monthly Segment Capacity. The resultant fraction will be the "Proration Factor".
  - 4.3.1.1. If the Proration Factor is one or greater, no proration is needed.
  - 4.3.1.2. If the Proration Factor is less than one, proration is needed, and the Monthly Segment Capacity will be initially allocated separately for New Shippers and Regular Shippers.
- 4.3.2. 5% of Monthly Segment Capacity will be set aside for New Shipper Allocation and is addressed in 4.2.
- 4.3.3. The remaining capacity will be allocated among Regular Shippers based on the Allocation Calculation and their Base Shipment calculations. In the event that any Shipper is allocated more capacity than its nominated volumes, the excess of its allocation over its nominated volumes will be reallocated among all other Regular Shippers in proportion to their Base Shipments.

##### 4.4. New Shipper Prorations

- 4.4.1. 5% of the Monthly Capacity will be reserved for New Shippers.
- 4.4.2. The nominated volumes for each New Shipper shall be totaled and divided into 5% of the Monthly Segment Capacity. The resultant fraction will be the "New Shipper Proration Factor".
  - 4.4.2.1. If the New Shipper Proration Factor is one or greater, no proration is needed, and each New Shipper shall be allocated their nominated volume.
  - 4.4.2.2. If the New Shipper Proration is less than one, each New Shipper's allocated volume shall be equal to their nominated volume multiplied by the New Shipper Proration Factor.