

# **PEMBINA COCHIN RETENTION STOCK POLICY**

(Effective [W] July 1, ~~2024~~ 2023)

## **1. PURPOSE**

- (a) Pembina Cochin LLC and PKM Cochin ULC (together "**Carrier**") hereby issue this Retention Stock Policy in order to outline the process used to allocate the Retention Stock equitably amongst the Shippers, and the process used to calculate the Retention Stock Surcharge in the event an Uncommitted Shipper has not provided their equitable share of the Retention Stock.
- (b) This Retention Stock Policy is specifically designed for the Cochin Pipeline where Light Condensate is the only product being shipped in the pipeline in a continuous flow process from the Cochin Terminal in Kankakee County, Illinois, United States ("**Kankakee**") or intermediate receipt points to Fort Saskatchewan, Alberta, Canada ("**Fort Saskatchewan**"). This Policy may be revised or terminated by Pembina Cochin at which time Pembina Cochin will file a new or revised Policy with the Federal Energy Regulatory Commission.
- (c) The purpose of this program is to address Shipper requests that:
  - (i) There are no monthly fluctuations in each Shipper's Retention Stock requirement (which has an impact on customs reporting); and
  - (ii) All Shippers moving Light Condensate share in the Retention Stock costs proportionate to each Shipper's movements as calculated in this Retention Stock Policy.

## **2. OPERATIONAL OVERVIEW**

- (a) The Retention Stock requirement of the Cochin Pipeline system is estimated to be at least 1,323,084 barrels of Light Condensate from Kankakee, IL to Fort Saskatchewan, Alberta, Canada. Separately the Retention Stock requirement is estimated to be 506,969 barrels of Light Condensate for volumes originating from Maxbass, North Dakota for movement to Fort Saskatchewan, Alberta, Canada and 1,059,106 barrels of Light Condensate for volumes originating from Clinton, Iowa for movement to Fort Saskatchewan, Alberta, Canada. The provision of Retention Stock by the Shippers will provide assurance to the Shippers that properly nominated Light Condensate received into the Cochin Pipeline system at Kankakee and/or other receipt points will be delivered expeditiously to Fort Saskatchewan.
- (b) Prior to the beginning of each Contract Year, Carrier shall allocate the Retention Stock amongst (i) the Committed Shippers who participated in the open season ending May 31, 2012 and (ii) the Shippers that have not executed a contract with Carrier for committed volumes during the open season that ended May 31, 2012, including any new entity with no previous history of any related affiliate

movements on Carrier's pipeline (referred to herein as the "**Uncommitted Shippers**").

- (c) Uncommitted Shippers must notify Carrier of their intent to participate in the provision of Retention Stock on or before April 30<sup>th</sup> of each calendar year.
- (d) Failure to provide Carrier with such notice shall be considered a refusal by such Uncommitted Shipper to provide their Retention Stock requirement, and an agreement by such Uncommitted Shipper to pay the Retention Stock Surcharge during the following Contract Year.
- (e) The Contract Year shall extend from July 1st of the current calendar year through June 30<sup>th</sup> of the following calendar year, and Pembina Cochin LLC shall collect and distribute all applicable Retention Stock Surcharges. Carrier shall include the Retention Stock Surcharge, as modified from time to time, in its rate tariffs on file with the Federal Energy Regulatory Commission.

### **3. RETENTION STOCK ALLOCATION**

- (a) No later than March 31<sup>st</sup> of each calendar year, Carrier will provide each Shipper with:
  - (i) A summary of their actual Light Condensate receipts into Kankakee and/or other receipt points during the prior calendar year, including the assumed receipt volume used to calculate such Shipper's Retention Stock requirement;
  - (ii) An initial calculation, rounded to the nearest barrel, indicating each Shipper's estimated Retention Stock requirement for the coming Contract Year; and
  - (iii) An estimate of the Retention Stock Surcharge for the coming Contract Year.
- (b) For Committed Shippers, the Minimum Annual Volume in each Committed Shipper's TSA will be used to calculate their Retention Stock requirement, regardless of the volume actually received into Kankakee for such Committed Shipper.
- (c) For Uncommitted Shippers, including any new entity with no previous history of any related affiliate movements on Carrier's pipeline, their Retention Stock requirement shall be based upon the greater of:
  - (i) Their actual volumes received into Kankakee and/or other receipt points during the prior calendar year, or
  - (ii) Their estimated receipt volumes into Kankakee and/or other receipt points for the upcoming Contract Year;

provided, however, that the total receipt volumes used for all Uncommitted Shippers shall not exceed the greater of (i) ten percent (10%) of the expected maximum pipeline capacity for the upcoming Contract Year, or (ii) the positive difference resulting from the subtraction of the aggregate Committed Shippers' Minimum Annual Volumes from the expected maximum pipeline capacity for the upcoming Contract Year.

- (d) All Shippers are required to communicate their intent to participate in the provision of Retention Stock on or before April 30th. Final Retention Stock allocations will be made available to Shippers that chose to participate on or before May 10th of each calendar year.
- (e) All physical Retention Stock adjustments between Shippers will be completed during the month of June of each calendar year. Upon thirty (30) days' prior written notice, Carrier may, due to operational changes, revise the required Retention Stock and notify Shippers of the corresponding change in their Retention Stock allocation.
- (f) Retention Stock Allocation Example:

Shipper Name	Origin Point	Location Factor (fraction of total stock based on location)	Committed Volumes (kbpd)	Historical Volumes (kbpd)	Participating in Retention Stock (?)	Receipt Volume Used (kbpd)	% of Retention Stock	Retention Stock (bbl)
Committed A	Kankakee	1.00	36	40	Yes	36	39.71%	525,381
Committed B	Kankakee	1.00	30	30	Yes	30	33.09%	437,817
Committed C	Kankakee	1.00	19	5	Yes	19	20.96%	277,284
Uncommitted X	Maxbass	0.38	0	7	Yes	2.7	2.93%	38,820
Uncommitted Y	Kankakee	1.00	0	3	Yes	3.0	3.31%	43,782
Uncommitted Z	Maxbass	0.38	0	5	No	0.0	0%	0
							100.0%	1,323,084

#### 4. RETENTION STOCK SURCHARGE

- (a) The Retention Stock Surcharge shall be calculated as follows:
  - (i) Divide the total volume of required Retention Stock (expressed in barrels) from the pertinent receipts point, as then identified, by 6.289811 barrels per cubic meter;
  - (ii) Multiply by the Condensate Allowance Price (expressed in Canadian dollars per cubic meter) for February of the current calendar year, as published by the Equalization Steering Committee which can be found at the following web address: <https://www.industryeq.ca/eq-data> and following the Current Year Equalization Data link.

- (iii) Divide by the Monthly Exchange Rate for the month of February of the current calendar year as published by the Bank of Canada (expressed as 1 USD -> CAD); <http://www.bankofcanada.ca/rates/exchange/monthly-exchange-rates/>
- (iv) Multiply by the month average prime rate for the month of February of the current calendar year, as published in the Wall Street Journal, plus seven percent; <https://www.marketwatch.com/investing/interestrates/wsjprime/charts?countrycode=mr>
- (v) Divide by the product of the Maximum Pipeline Capacity (expressed in barrels per day) for the path from the specified receipt points and the number of days in the upcoming Contract Year.

$$\frac{\text{Retention Stock bbls} \times \text{Condensate Allowance Price CAD/m}^3 \times (\text{WSJ Prime} + 7\%) \times 6.289811 \text{ bbls/m}^3 \times \text{Monthly Exchange Rate CAD/USD}}{\text{Maximum Pipeline Capacity (bbls/day)} \times \text{Days in the Contract Year}}$$

- (b) The Retention Stock Surcharge will be applied to all volumes received for any Uncommitted Shipper that did not participate in the provision of Retention Stock. The Retention Stock Surcharge will not be applied to any volumes received for Shippers participating in the provision of Retention Stock, regardless of their actual volumes shipped during the Contract Year.
- (c) Carrier will distribute (proportionate to each Shippers Retention Stock requirement) on or before the 25<sup>th</sup> of each month the Retention Stock Surcharges collected during the prior month to Shippers that provided their Retention Stock requirement for the Contract Year in which the surcharges were collected.

For example:

- On July 25, 2018 Retention Stock Surcharges collected in June 2018 will be distributed to Retention Stock participants for the 2017-2018 Contract Year.
- If \$1,000 was collected in June of 2018 and Shippers A, B, C, and D each provided 25% of the Retention Stock for the 2017-2018 Contract Year, by July 25, 2018 Shippers A, B, C, and D would each receive a distribution of \$250.

**Retention Stock Surcharge Calculation  
(Kankakee, IL to Ft. Saskatchewan, AB) (Effective [W] July 1, ~~2024~~ 2023)**

Retention Stock Volume	1,323,084 bbls
Condensate Allowance Price	[D] \$614.06_Cdn/m <sup>3</sup>
Monthly Exchange Rate	[I] 1.3501
WSJ Prime	[I] 8.50%
Maximum Pipeline Capacity	95,000 bbls/day

Days in the Contract Year	365
Retention Stock Surcharge (USD)	[D] \$0.4277/bbl

**Retention Stock Surcharge Calculation  
(Maxbass, ND to Ft. Saskatchewan, AB) (Effective [W] July 1, 2024 ~~2023~~)**

Retention Stock Volume	506,969 bbls
Condensate Allowance Price	[D] \$614.06_Cdn/m <sup>3</sup>
Monthly Exchange Rate	[I] 1.3501
WSJ Prime	[I] 8.50%
Maximum Pipeline Capacity	102,000 bbls/day
Days in the Contract Year	365
Retention Stock Surcharge (USD)	[D] \$0.1526/bbl

**Retention Stock Surcharge Calculation  
(Clinton, IA to Ft. Saskatchewan, AB) (Effective [W] July 1, 2024 ~~2023~~)**

Retention Stock Volume	1,059,106 bbls
Condensate Allowance Price	[D] \$614.06_Cdn/m <sup>3</sup>
Monthly Exchange Rate	[I] 1.3501
WSJ Prime	[I] 8.50%
Maximum Pipeline Capacity	95,000 bbls/day
Days in the Contract Year	365
Retention Stock Surcharge (USD)	[D] \$0.3423/bbl

EXPLANATION OF REFERENCE MARKS	
[W]	Wording change
[D]	Decrease
[I]	Increase
[N]	New
[U]	Unchanged