

# **PEMBINA PIPELINE CORPORATION**

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**PETROLEUM TARIFF**

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**RULES AND REGULATIONS**

**GOVERNING THE  
TRANSPORTATION  
OF  
PETROLEUM**

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**Effective: January 1, 2021**

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**ISSUED BY:**

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## 1. APPLICATION OF RULES AND REGULATIONS

Except as otherwise agreed to by Carrier and all Shippers on a Pipeline System, these Rules and Regulations shall apply only to the Toll Schedules making specific reference to these Rules and Regulations and to the respective Pipeline Systems in respect thereof. Whenever any term or condition of any Toll Schedule conflicts or is at variance with any term or condition of these Rules and Regulations, such term or condition in the Toll Schedule shall prevail.

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## 2. DEFINITIONS

The following words and terms, when used in these Rules and Regulations, or in any TA or Toll Schedule into which these Rules and Regulations are incorporated, shall have the following meanings.

"**Affiliate**" of any Person means any other Person who directly or indirectly controls, or is controlled by, or is under common control with, such Person, and for these purposes "**control**", and related terms including "**controlling**" and "**controlled**", shall mean (i) with respect to a corporation or other Person having voting shares or the equivalent and elected directors or individuals performing similar functions, the power to vote, directly or indirectly, shares or the equivalent representing more than 50% of the power to vote in the election of directors or individuals performing similar functions; and (ii) with respect to any other Person (other than an individual), either (A) ownership of more than 50% of the equity or beneficial interest in that Person, or (B) the ability to direct the business and affairs of such Person by acting as a general partner, managing partner, manager or other forms of effective control.

"**API**" means the American Petroleum Institute.

"**ASTM**" means the American Society for Testing and Materials.

"**Business Day**" means a calendar day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.

"**Butane**" means a hydrocarbon mixture consisting primarily of butane and that satisfies the applicable specifications set forth at [www.pembina.com](http://www.pembina.com).

"**Carrier**" means the Person specified as such in the Toll Schedule.

"**Condensate**" means a hydrocarbon mixture consisting primarily of condensate and other hydrocarbon liquids and that satisfies the applicable specifications set forth at [www.pembina.com](http://www.pembina.com).

"**Credit Rating**" means, with respect to a Person, on any date of determination, the ratings of its senior, unsecured, unsubordinated long-term debt (not supported by third party credit enhancement) issued by S&P, Moody's or DBRS, or if the Person does not have a rating for its senior, unsecured, unsubordinated long-term debt (not supported by third party credit enhancement), then the ratings assigned to the Person's issuer credit rating by S&P, the issuer rating by Moody's or the issuer rating by DBRS.

"**Credit Rating Agency**" means all or any one of S&P, Moody's and DBRS.

"**Credit Support Provider**" means an Affiliate of Shipper acceptable to Carrier in its sole discretion that has provided an unconditional and irrevocable guarantee of all of the payment obligations of Shipper to Carrier pursuant to the Tariff, in a form, amount and term satisfactory to Carrier in its sole discretion.

"**Crude Petroleum**" means the direct liquid product of oil wells or oil processing plants, the indirect liquid products of oil or gas wells or oil sands, or a mixture of such products and that satisfies the applicable specifications set forth at [www.pembina.com](http://www.pembina.com), but does not include Ethane Plus, Propane Plus, Butane or Condensate.

"**Cubic Metre**" or "**m<sup>3</sup>**" means the volume of Petroleum occupying one cubic metre at a temperature of 15°C, and at a pressure of 101.325 kilopascals absolute, for Crude Petroleum and Condensate, and equilibrium vapour pressure for Ethane Plus, Propane Plus and Butane.

"**CUSMA**" means the *Canada-United States-Mexico Agreement*.

"**Day**" means a period of 24 consecutive hours beginning and ending at 7:00 a.m. MT.

"**DBRS**" means DBRS Limited, DBRS, Inc., or DBRS Ratings Limited, as the case may be, its successors and assigns.

"**Deliver**" means delivered by Carrier to Shipper at the Delivery Point.

"**Delivery Point**" means a location for the delivery of Petroleum by Carrier to Shipper, as specified in the Toll Schedule.

"**Ethane Plus**" means a hydrocarbon mixture consisting of ethane and heavier hydrocarbons and that satisfies the applicable specifications set forth at [www.pembina.com](http://www.pembina.com).

"**Firm**" means that Carrier may only interrupt its obligation to receive and transport Petroleum without liability only to the extent such obligation is excused by Force Majeure or Outage or by TA Shipper's non-performance of its obligations under the TA (including, these Rules and Regulations).

"**Firm Volumes**" means, with respect to a TA Shipper, the volume of Petroleum set out in such TA that is to be received and transported by Carrier on a Firm basis.

"**Force Majeure**" has the meaning set forth in Section 23.2.

"**Harmonized Coding System**" means the *Harmonized Commodity Description and Coding System*, as such term is used in CUSMA.

"**kilopascal**" is equivalent to 0.1450377 pounds per square inch.

"**LACT Equipment**" means lease automatic custody transfer equipment.

"**Letter of Credit**" means one or more irrevocable non-transferable standby letters of credit, in a form, amount and term satisfactory to Carrier in its sole discretion, issued by a Qualified Financial Institution.

"**Low Density Crude Petroleum/Condensate**" means Crude Petroleum or Condensate that falls below the density specifications set forth at [www.pembina.com](http://www.pembina.com).

"**Month**" means a period beginning at 7:00 a.m. MT on the first Day of any calendar month and ending at 7:00 a.m. MT on the first Day of the next calendar month.

"**Monthly Inventory Position**" means, with respect to a Month, the sum of (i) the Monthly Inventory Position for the prior Month, and (ii) the difference, if any, between (A) the sum of all Tenders by Shipper for that Month and (B) the sum of all Deliveries to Shipper for that Month.

"**Monthly Nomination Date**" means on or before 7:00 a.m. MT on the dates published in the Crude Oil Logistics Committee calendar.

"**Moody's**" means Moody's Investors Service, Inc., its successors and assigns.

"**MPMS**" means the API Manual of Petroleum Measurement Standards.

"**MT**" means Mountain Standard Time or Mountain Daylight Time, as applicable.

"**Nomination**" means, collectively, the volume of Petroleum, the Receipt Points, the Delivery Points and the types and anticipated quality of Petroleum specified in a Notice of Shipment in respect of a Month.

"**Non-Performance Charge**" has the meaning set forth in Section 17.

**"Non-Specification Petroleum"** means Petroleum that does not meet the applicable specifications set forth at [www.pembina.com](http://www.pembina.com).

**"Notice of Shipment"** means the form (including electronic forms) prescribed by Carrier to be used by Shippers in notifying Carrier of proposed Tenders, as such form may be amended from time to time by Carrier.

**"Outage"** means, in respect of the Pipeline System, any circumstance, whether planned or unplanned, in which the Pipeline System is unable to receive, transport and/or deliver all or any portion of the Petroleum tendered by Shippers for transportation on the Pipeline System.

**"Overage Fee"** means the overage fee set forth in the Toll Schedule.

**"Payment Date"** means, with respect to a Month, the 25<sup>th</sup> Day of the following Month; provided that, if the Payment Date is not a Business Day, payment shall be due on the Business Day immediately prior to the Payment Date.

**"Performance Assurance"** means Security in a form, amount and term satisfactory to Carrier in its sole discretion.

**"Person"** means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, limited liability company, unlimited liability company, corporation, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

**"Petroleum"** means one or more of Crude Petroleum, Ethane Plus, Propane Plus, Butane and Condensate, as specified in the Toll Schedule.

**"Pipeline System"** means the Carrier's pipeline system for the transportation of Petroleum, as specified in the Toll Schedule.

**"Propane Plus"** means a hydrocarbon mixture consisting primarily of propane and heavier hydrocarbons and that satisfies the applicable specifications as set forth at [www.pembina.com](http://www.pembina.com).

**"Qualified Financial Institution"** means a major Canadian or United States bank or foreign bank with a Canadian or United States subsidiary and any other bank that is, from time to time, acceptable to Carrier in its sole discretion; provided that such bank has (A) assets of at least Canadian \$10 billion dollars; and (B) a Credit Rating of at least "A" from S&P, "A2" from Moody's or "A" from DBRS. In the event of a split rating between the applicable Credit Rating Agencies, the lower rating shall prevail.

**"Receipt Point"** means a location for the receipt of Petroleum by Carrier from Shipper, as specified in the Toll Schedule.

**"Retention Stock"** means the volume of Petroleum required by Carrier from time to time for operational and scheduling purposes, and includes working stock, tank bottoms and idle line fill.

**"S&P"** means Standard & Poor's Financial Services LLC, its successors and assigns.

**"Security"** means a Letter of Credit from a Qualified Financial Institution or other form of financial assurance in a form, amount and term satisfactory to Carrier in its sole discretion.

**"Shipper"** means a Person that Tenders Petroleum for transportation on the Pipeline System pursuant to the Tariff.

**"Shortage Fee"** means the shortage fee set forth in the Toll Schedule.

**"TA"** means an agreement pursuant to which Carrier provides transportation service to a Shipper on the Pipeline System.

"**TA Shipper**" means a Shipper that is a party to a TA.

"**Tank Truck Service Provider**" means a Person that delivers Petroleum using a tank truck to a truck receiving terminal at a Receipt Point operated or owned by Carrier.

"**Tariff**" means these Rules and Regulations, the Toll Schedule and, in the case of a TA Shipper, the TA that such TA Shipper is a party to, all as amended, supplemented, modified or replaced from time to time.

"**Tender**" means the delivery by Shipper to Carrier at a Receipt Point of a stated quantity and type of Petroleum for transportation from such Receipt Point to a Delivery Point.

"**Tolerance Margin**" means the volume of Petroleum specified in the Toll Schedule, less the loss allowance set forth in Section 10.7, for a Month.

"**Toll Schedule**" means a schedule of tolls, fees and other charges in respect of the Pipeline System that specifically references these Rules and Regulations, as published by Carrier from time to time.

"**Transferee**" has the meaning set forth in Section 14.1.

"**Transferor**" has the meaning set forth in Section 14.1.

"**Weathered**" means Crude Petroleum or Condensate which when left in a specified container open to specified atmospheric conditions for a period of at least 24 hours does not experience a change in volume greater than 0.2% or density greater than 2 kg/m<sup>3</sup>, other than those changes attributable to a change in the temperature of such Crude Petroleum or Condensate, as applicable. For greater certainty, Crude Petroleum or Condensate experiencing changes greater than 0.2% in volume or 2 kg/m<sup>3</sup> with respect to density shall not be considered Weathered and Section 10.3(d) shall apply to such Crude Petroleum or Condensate.

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### 3. COMMODITY

The Tariff applies to the receipt, transportation and delivery of Petroleum by Carrier and no commodity other than Petroleum will be transported under the Tariff. Carrier will not accept other commodities unless specifically approved in advance and in writing by Carrier.

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### 4. RECEIPT AND DELIVERY

**4.1 Acceptance and Delivery.** Petroleum shall be accepted for transportation on the Pipeline System only when Tendered in accordance with Section 7 at one or more Receipt Points and Nominated for Delivery to Shipper at one or more Delivery Points. Shipper shall accept and remove its Petroleum from the Pipeline System upon Delivery of the Petroleum.

**4.2 Receipt/Delivery Facilities.** Except where Carrier provides such facilities, Petroleum will be accepted for transportation only when Shipper has provided or made arrangements for the necessary facilities and/or transportation service, satisfactory to Carrier in its sole discretion, at the Receipt Point and Delivery Point for the handling of such Petroleum at the rate of flow or on other conditions at which Carrier is then operating the Pipeline System at such Receipt Point and Delivery Point.

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### 5. SPECIFICATIONS AS TO QUALITY AND LEGAL CHARACTERISTICS

**5.1 Specifications of Petroleum.** Shipper shall not Tender to Carrier, and Carrier shall have no obligation to receive and transport, Petroleum that (i) does not satisfy the Petroleum specifications set forth at [www.pembina.com](http://www.pembina.com), or (ii) has on the Tendering of such Petroleum physical or chemical characteristics that may render such Petroleum not transportable by Carrier, that may materially affect the quality of other Petroleum transported by Carrier or that may otherwise adversely affect Carrier, the Pipeline System and/or other Shippers, as determined by Carrier in its sole discretion. In the event Shipper Tenders Petroleum that does not satisfy the specifications set forth at [www.pembina.com](http://www.pembina.com), Carrier at its sole discretion may cause

Shipper to immediately cease further Tenders and Shipper shall immediately advise Carrier of the Tendering of Non-Specification Petroleum.

- 5.2 Change to Specifications.** Notwithstanding any other provision to the contrary expressed or implied in these Rules and Regulations, Carrier shall have the right to change the specifications set forth at [www.pembina.com](http://www.pembina.com) from time to time in its sole discretion. Carrier shall provide Shipper with notice of such change to the specifications set forth at [www.pembina.com](http://www.pembina.com).
- 5.3 Certificate of Specifications.** On the request of Carrier, Shipper shall provide to Carrier a certificate with respect to the specifications of Petroleum to be Tendered by Shipper for transportation on the Pipeline System. Such certificate shall identify the specifications for each type of Petroleum to be Tendered by Shipper. In the event that Shipper fails to provide Carrier with such certificate prior to such Petroleum being Tendered by Shipper, Carrier shall have the right to refuse to accept Shipper's Petroleum for transportation on the Pipeline System.
- 5.4 Quality Determination.** Carrier shall have the right to perform quality and component analysis on any and all of the Petroleum that has been Tendered by Shipper. Carrier's determinations in this regard shall be final and binding on Shipper.
- 5.5 Failure to Conform to Specifications.** If Carrier, in its sole discretion, determines that Shipper's Petroleum does not satisfy the applicable specifications set forth at [www.pembina.com](http://www.pembina.com), Carrier shall, at Shipper's sole cost and expense, have the right to remove Shipper's Petroleum (including other Petroleum commingled with such Shipper's Petroleum) from the Pipeline System and return same to Shipper, all in a manner determined by Carrier. For greater certainty, Shipper shall be liable to and shall indemnify Carrier in accordance with Section 21.1 if Shipper's Petroleum does not satisfy the applicable specifications set forth at [www.pembina.com](http://www.pembina.com), including the cost of any Petroleum purchased by Carrier and other marketing costs incurred by Carrier in order to satisfy deliveries to other Shippers or to replace Retention Stock or other line fill where such Shipper's Petroleum was commingled with other Petroleum on the Pipeline System. In the event Shipper does not take delivery of any Petroleum removed from the Pipeline System by Carrier in accordance with this Section 5.5 Carrier shall have the right to sell such Petroleum in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the removal, storage and sale of such Petroleum and Carrier shall be entitled to retain a reasonable pre-estimate of any losses, damages, costs and expenses whatsoever incurred or reasonably expected to be incurred by Carrier in respect of such Petroleum, as determined by Carrier, in its sole discretion. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper. Carrier may take such further action as it deems appropriate to lessen or mitigate any adverse impact to the Pipeline System with respect to such Non-Specification Petroleum.
- 5.6 Costs of Quality Determination.** Without limiting any other rights or remedies of Carrier set forth herein or in a TA or otherwise at law or equity, if Carrier determines, in its sole discretion, that Shipper's Petroleum does not satisfy the applicable specifications set forth at [www.pembina.com](http://www.pembina.com), Shipper shall pay to Carrier an amount equal to all of the costs and expenses incurred by Carrier in connection with the performance of quality and component analysis on the Petroleum, in accordance with Section 5.4, for a period of twelve (12) months following the date on which Carrier determines that Shipper's Petroleum does not satisfy the applicable specifications. The frequency of quality and component analysis on the Petroleum during such twelve (12) month period shall be determined by Carrier, in its sole discretion.
- 5.7 CUSMA.** Shipper represents and warrants that Petroleum Tendered by Shipper for transportation by Carrier shall be classified as an "originating good" pursuant to CUSMA under the Harmonized Coding System heading 27.09, 27.10 or 27.11, as applicable. Shipper shall, as requested by Carrier from time to time, provide Carrier or any person designated by Carrier with a written declaration in a form acceptable to Carrier, acting reasonably, confirming the "originating good" status of any Petroleum Tendered by Shipper for transportation by Carrier.

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## 6. CHANGES IN TYPE/QUALITY AND SEGREGATION

- 6.1 Delivery of Same Type/Quality.** Carrier shall use commercially reasonable efforts to deliver substantially the same type of Petroleum to Shipper as received by Carrier from Shipper; provided, however, Carrier shall not be obligated to make delivery of identical Petroleum to Shipper as Tendered by Shipper to Carrier.
- 6.2 Responsibility For Quality Delivered.** Shipper's Petroleum received by Carrier for transportation on the Pipeline System shall be subject to changes in density, quality or other characteristics. Carrier shall not be liable for any variations in density, quality or other characteristics of Shipper's Petroleum or the commingling of Shipper's Petroleum with other Petroleum or consequential or indirect loss, lost profits or other losses, damages, costs or expenses whatsoever in respect thereof. For greater certainty, (i) Carrier shall have no obligation to segregate Shipper's Petroleum from other Petroleum during transportation, (ii) Carrier shall have the right to commingle Shipper's Petroleum with other Petroleum, and (iii) Petroleum delivered to Shipper by Carrier at the Delivery Point shall have the density, quality and other characteristics that results from Shipper's Petroleum having been commingled with other Petroleum.
- 6.3 Buffer Material.** Shipper shall arrange for the supply of and be responsible for all costs and expenses whatsoever in respect of buffer material as required by Carrier, in its sole discretion, for the segregation of Shipper's Petroleum. Buffer material supplied by Shipper must be acceptable to Carrier, in its sole discretion. The buffer material and any Petroleum commingled therewith shall be transported by Carrier in accordance with the Tariff. Carrier shall, in its sole discretion, make cuts between Shipper's Petroleum and other Shippers' Petroleum and Shipper shall take delivery of such buffer material as part of the interface in respect of a batch.

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## 7. NOMINATIONS, TENDERS AND FLOW RATES

- 7.1 Nominations.** On or before the Monthly Nomination Date, Shipper shall provide Carrier with a Nomination for the following Month on the Notice of Shipment that specifies the volume of Petroleum to be transported, the Receipt Points, the Delivery Points, the types of Petroleum, the anticipated quality of Petroleum and any other information required by the Notice of Shipment. If Shipper fails to Nominate any volumes, Shipper's Nomination shall be deemed to be zero for that Month. When Shipper's Nomination has been apportioned pursuant to Section 24, Shipper shall provide Carrier with a revised Nomination in accordance with Section 24.4. Shipper shall, upon notice from Carrier, provide written third party verification of the availability of its supply of Petroleum and of its capability to remove such Petroleum from the Delivery Points, as may be required by Carrier in support of Shipper's Nomination. Carrier shall have the right to refuse to accept Shipper's Nomination where there is no such verification or such verification is unacceptable to Carrier, in its sole discretion.
- 7.2 Tenders.** Shipper desiring to Tender Petroleum shall make such Tender in accordance with Carrier's established tender process in effect from time to time. If Shipper is unable to remove from the Delivery Point the volume of Petroleum to be Tendered, Carrier may, in its sole discretion, reduce the amount of Petroleum accepted from Shipper for transportation to the amount Shipper has verified it will be able to remove from the Delivery Points.
- 7.3 Truck Tenders.** Each Tender of Petroleum by tank truck by Shipper shall only contain Petroleum originating from a single battery or production facility, and Carrier shall not accept Tenders of Petroleum by tank truck from two or more batteries and/or production facilities.
- 7.4 Minimum Tenders.** Shipper shall not Tender Petroleum in a volume less than the minimum volume specified in the Toll Schedule. In the event that Carrier permits a Tender of Petroleum that is less than the current minimum volume requirement, Shipper shall pay to Carrier a charge in respect of such Tender as set forth in the Toll Schedule.
- 7.5 Late Nominations.** If capacity is available on the Pipeline System and operating conditions permit, Carrier may, at its sole discretion, accept Nominations or revised Nominations after the applicable Monthly Nomination Date.

- 7.6 Shipper Nominations.** In each Month Shipper shall Tender to Carrier a volume of Petroleum equal to its Nomination for that Month. Subject to Sections 12, 17, 16, 23 and 24, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the toll set forth in the Toll Schedule or TA, as applicable, and (ii) a volume equal to the greater of (A) the volume Tendered for the Month and (B) 95% of Shipper's Nomination for such Month.
- 7.7 Uniform Tenders.** Shipper shall use commercially reasonable efforts to Tender Petroleum to Carrier in equal Daily volumes and quality sufficient to fulfil its Nomination for the Month. Such Petroleum shall have a homogenous quality consistent with the certificate of specifications set forth in Section 5.3. Carrier shall have the right to charge a fee (a "**Quality Variation Fee**") if provided for in the applicable Toll Schedule. The Quality Variation Fee shall apply where the quality of the Daily volumes Tendered by Shipper vary by more than the threshold set forth in the Toll Schedule.
- 7.8 Flow Rates and Volumes.** Carrier will take receipt of Petroleum at the Receipt Points and will make delivery of Petroleum at the Delivery Points at the flow rates and volumes compatible with the Pipeline System at that time. Shipper shall Tender Petroleum at the Receipt Points and take delivery of Petroleum at the Delivery Points at the flow rates and volumes compatible with the Pipeline System at that time.
- 7.9 Retention Stock.** Shipper shall supply to Carrier its proportionate share of Retention Stock by types and volumes as determined from time to time by Carrier in its sole discretion, which, for greater certainty, may be zero. Shipper shall take Delivery of its proportionate share of Retention Stock prior to the commencement of the Month following the Month in which Shipper ceases to be a Shipper on the Pipeline System. If Shipper fails to remove its proportionate share of Retention Stock from the Pipeline System or the custody of Carrier in accordance with this Section 7.9, Carrier shall have the right to remove and sell such Retention Stock in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the storage, removal and sale of such Retention Stock. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper.
- 7.10 Corrosion Inhibitor.** At the request of Carrier, Shipper shall, at its sole cost and expense, provide and inject a corrosion inhibitor compound into Petroleum Tendered for transportation on the Pipeline System. Shipper must receive prior written approval from Carrier for the type and amount of corrosion inhibitor. Shipper shall accept Delivery of Petroleum containing corrosion inhibitors from Carrier at the Delivery Point.

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## **8. APPLICATION OF TOLLS**

Petroleum accepted for transportation on the Pipeline System shall be subject to the tolls and other charges in effect on the date of receipt of such Petroleum by Carrier, irrespective of the date of Nomination. The tolls and other charges payable by Shipper shall be allocated as to the volume of Petroleum and types of Petroleum in accordance with the Toll Schedule. The tolls charged to Shipper shall be determined based on Delivered volumes of Petroleum.

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## **9. PAYMENT AND LIEN**

- 9.1 Invoice and Payment.** Shipper shall pay all tolls, charges and costs as provided for in the Tariff and otherwise relating or incidental to the receipt, transportation and delivery of Shipper's Petroleum by Carrier (including, without limitation, amounts in respect of equalization and/or component trading applicable to Shipper's Petroleum). On or before the 20<sup>th</sup> Day of the Month, Carrier shall invoice Shipper for all tolls, charges and costs provided for in the Tariff or otherwise due to Carrier and otherwise relating or incidental to the receipt, transportation and delivery of Shipper's Petroleum by Carrier for the prior Month, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual volume Delivered is not known by the invoice date, the invoice shall be prepared based on estimates by Carrier acting reasonably. The invoiced volume shall be adjusted to the actual volume on the following Month's invoice. Carrier shall invoice Shipper for all charges and costs in respect of equalization and/or component trading applicable to Shipper's Petroleum for the prior Month on or before the 30<sup>th</sup> Day of the Month, providing supporting documentation acceptable in industry practice to support the amount charged. Shipper shall pay the invoiced amount for a Month on or before the Payment Date for that Month, unless otherwise set forth in the invoice. If Shipper in good faith disputes the amount of any such invoice or part thereof, Shipper shall nonetheless pay the full amount of such invoice on or before the Payment Date. If required by Carrier, Shipper shall pay such

tolls, charges and costs before (i) delivery of Shipper's Petroleum by Carrier, or (ii) an intra-system transfer of Shipper's Petroleum pursuant to Section 14.1.

**9.2 Goods and Services Tax.** Shipper shall pay any goods and services tax imposed on Shipper pursuant to the *Excise Tax Act* (Canada), or any similar federal or provincial legislation or other applicable tax, in respect of all charges for services payable by Shipper pursuant to the Tariff.

**9.3 Failure to Pay.** Should Shipper fail to pay any or all of the amount of any invoice on or before the Payment Date, interest on the unpaid portion of the invoice shall accrue daily at the lesser of (i) the prime rate of interest of The Royal Bank of Canada (as it may vary from time to time) plus 2% and (ii) the maximum lawful interest rate. If such failure to pay continues for 2 Business Days after notice by Carrier of such failure to pay, Carrier, in addition to any other remedy it may have under the Tariff, at law or in equity, may (x) suspend receipt and/or delivery of Shipper's Petroleum until such amount (including interest thereon) is paid to Carrier, and (y) withhold any amounts owing to Shipper under any agreement or other arrangement or in respect of equalization and/or component trading applicable to Shipper's Petroleum (whether or not yet due) and setoff against such withheld amounts any amounts owed by Shipper to Carrier under the Tariff and otherwise relating or incidental to the receipt, transportation and delivery of Shipper's Petroleum by Carrier (including, without limitation, amounts in respect of equalization and/or component trading applicable to Shipper's Petroleum). Subject to any setoff effected pursuant to (y) above, if such amounts remain unpaid 2 Business Days after notice by Carrier to Shipper of such failure to pay, Carrier shall have the right to enforce its general lien set forth in Section 9.4 and/or security interest set forth in Section 9.5 and to sell any Petroleum Tendered to Carrier by Shipper and in the custody of Carrier in any manner permitted in accordance with applicable law. From the proceeds of such sale Carrier shall pay itself all such unpaid amounts (including interest thereon and reasonable storage charges pending sale and costs and expenses incident to such sale), and the balance remaining, if any, shall be paid to Shipper.

**9.4 Carrier's General Lien.** In addition to any other remedies available to Carrier at law, in equity or under the Tariff, Carrier shall have a general lien on all of Shipper's Petroleum in its custody from time to time to secure the payment and performance of all obligations of Shipper pursuant to the Tariff, and Carrier may withhold such Petroleum from Delivery until all amounts then due and owing pursuant to the Tariff have been paid in full. The general lien provided herein shall be in addition to any lien or security interest otherwise provided by law, equity or contract.

**9.5 Security Interest.** In addition to, and not in substitution for, the general lien set forth in Section 9.4 or otherwise provided by law, equity or contract, Carrier shall have a continuing and first priority security interest in, and a secured charge on, all of Shipper's Petroleum in its custody from time to time to secure the payment and performance of all obligations of Shipper pursuant to the Tariff.

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## **10. MEASUREMENT, TESTING AND DEDUCTIONS**

**10.1 Unit of Measurement.** The volumetric measurement unit of Petroleum on the Pipeline System shall be Cubic Metres.

**10.2 Metering and Testing.** Petroleum received by Carrier for transportation shall be metered or gauged and may be sampled and tested by a representative of Carrier prior to, during or after its receipt. Shipper may have a representative present at the metering and testing.

**10.3 Measurement and Correction.** Carrier shall:

- (a) correct the metered volume of Petroleum in accordance with the applicable API MPMS standards;
- (b) determine the percentage of sediment and water in Petroleum and deduct the amount of sediment and water from the corrected volume of Petroleum;
- (c) adjust the measured volume of Petroleum for shrinkage in accordance with the applicable API MPMS procedures in effect at that time or as determined by Carrier in its sole discretion; and

- (d) have the right, in its sole discretion, to adjust the volume of Petroleum for losses that result from such Petroleum not being Weathered or accepting a Tender of Petroleum that contains different types of Petroleum that are not homogeneous before Tender. Carrier shall have the right to apply a Weathering factor to improperly Weathered Crude Petroleum or Condensate.

**10.4 Measurement Procedures.** All measurement procedures are to be conducted in accordance with API and/or ASTM standards and in accordance with all applicable governmental and regulatory requirements. Carrier's determinations in this regard shall be final and binding on Shipper.

**10.5 Low Density Crude Petroleum/Condensate.** When Carrier accepts Low Density Crude Petroleum/Condensate for commingling with Crude Petroleum or Condensate, as applicable, the volume of Low Density Crude Petroleum/Condensate accepted is subject to adjustment for volumetric shrinkage if, in the sole discretion of Carrier, the volume of such Low Density Crude Petroleum/Condensate affects the total volume of the resulting Low Density Crude Petroleum/Condensate and Crude Petroleum or Condensate, as applicable, mixture. Carrier shall, in its sole discretion, determine the volumetric shrinkage. The net volume resulting from such determination shall be the volume to be delivered by Carrier to Shipper at the Delivery Point.

**10.6 Meter Failure.** In the event of a meter failure, Carrier shall close off the meter and shall place a standby meter in operation. Where a standby meter is not available, Carrier shall stop the custody transfer process until Carrier installs a replacement meter. Should failure or malfunction of a meter result in material inaccuracies, Carrier and Shipper shall negotiate an adjustment. In the event of a failure to negotiate an acceptable adjustment, Carrier and Shipper shall submit the matter to arbitration in accordance with the *Arbitration Act* (Alberta). All fees, expenses and costs of such arbitration shall be paid equally by Carrier and Shipper.

**10.7 Loss Allowance.** Carrier shall have the right to implement a loss allowance, deduction or other similar charge with respect to the Petroleum Tended by Shipper, at a rate specified from time to time in the Toll Schedule.

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## 11. CHANGE IN OPERATING CONDITIONS

Carrier and Shipper shall notify each other from time to time of expected and unexpected changes in the rates of receipt, ability to accept delivery or in quality of Petroleum or other operating conditions that may affect the Pipeline System and the duration of such changes. In the event that Shipper does not provide such notice or such notice is not provided to Carrier in a timely manner, Carrier shall have the right to suspend Tenders by Shipper until Carrier determines, in its sole discretion, there will be no adverse impact to the Pipeline System due to such change.

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## 12. OUTAGES

Without limiting Section 23, Carrier shall have the right to suspend, reduce and/or interrupt the transportation of Petroleum on the Pipeline System in the event of any planned or unplanned Outage. In this regard, Carrier shall:

- (a) provide all Shippers on the Pipeline System with as much notice as reasonably practicable of a planned Outage; and
- (b) advise all Shippers on the Pipeline System as soon as reasonably practicable that an unplanned Outage has occurred.

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## 13. FACILITIES AND ACCESS

**13.1 Access to Shipper's Facilities.** Carrier and its representatives, upon reasonable notice to Shipper, shall have the right to enter upon Shipper's or its Affiliates' owned or controlled premises where Petroleum is received or delivered by Carrier and shall have access to any and all facilities of the Shipper or its Affiliates for the purpose of making any examination, inspection, measurement or test provided for under the Tariff.

**13.2 Shipper's Facilities.** All facilities of Shipper or its Affiliates located at a Receipt Point shall comply with the following:

- (a) Shipper shall (i) arrange for or provide and maintain sufficient shipping tank storage for a minimum of 24 hours of average Petroleum Tender (or as determined by Carrier, in its sole discretion); (ii) arrange for and maintain lines with a minimum diameter of 219.0 millimeters (or as determined by Carrier, in its sole discretion) from the tank to the tank firewall; (iii) ensure the tank to tank firewall line includes full opening valves sized at a minimum size equal to the line size; (iv) ensure the minimum installation height above the tank floor for tank nozzles shall be 1,000 millimetres; (v) provide facilities to accommodate seals on all shipping tanks if Carrier wishes to put seals at such Receipt Point; (vi) not use branch connections on the line between the tank storage and the Receipt Points; (vii) provide Carrier a method of receiving shipment tank level measurements, as determined by Carrier, in its sole discretion; (viii) ensure all stairways and walkways on all tanks are constructed and maintained by Shipper in accordance with current applicable health and safety standards; (ix) ensure all shipment tender tanks must include an appropriately sized thief hatch; (x) ensure the minimum size for a shipment tank shall be 80 Cubic Metres; (xi) use commercially reasonable efforts to ensure that access roads to LACT Equipment or other facilities are maintained; and (xii) use commercially reasonable efforts to obtain maximum Weathering.
- (b) Carrier shall have the right (i) to put seals on all Receipt Points; (ii) to install and maintain pipelines, piping manifolds, LACT Equipment, pumping equipment, control equipment, power service facilities and any ancillary facilities upon and across the surface of any premises Shipper or its Affiliate owns or controls; (iii) to use any access roads maintained or controlled by Shipper or its Affiliates in connection with the operation or maintenance of the Pipeline System; (iv) to require tank storage temperature sensing probes to shut off pumps if the Petroleum temperature drops below 0°C or is greater than 40°C and the temperature-sensing probe shall be on the same level and within 15 centimetres of the market line outlet and shall extend a minimum of 90 centimetres inside the tank; (v) to install a monitor to determine basic sediment and water or other impurities and other meter and sampling devices as part of each Receipt Point; (vi) to require that Shipper install and maintain recycle line pipe, pump, valves and fittings, including a three-way valve and valve operator, to allow Non-Specification Petroleum to return to Shipper's tank storage; (vii) to refuse to accept Petroleum from facilities, when, in Carrier's sole discretion, such facilities are unsafe or unsuitable for use because of improper connections or any other unacceptable condition, until the conditions are rectified to Carrier's sole satisfaction; and (viii) to request Shipper provide equipment, instrument air, heating medium, natural gas, and/or a connection to a continuously burning flare to Carrier and no charge will accrue to Carrier for such services or for the installation or maintenance of the facilities required to supply the same.

**13.3 Shipper's Affiliates.** Shipper shall use all commercially reasonable efforts to cause its Affiliates to comply with the provisions set forth in Sections 13.1 and 13.2.

**13.4 Tank Truck Service Providers.** Tank Truck Service Providers contracted by Shipper for the delivery of Petroleum to truck receiving terminals at Receipt Points operated or owned by Carrier shall be equipped with bottom loading and unloading facilities and pumps to provide delivery of each shipment with a minimum of delay, as determined by Carrier in its sole discretion. Tank Truck Service Providers shall have adequately maintained facilities for inspecting the tank and the contents before and after unloading of Petroleum at any Receipt Point operated or owned by Carrier. Carrier may refuse receipts of Petroleum by Tank Truck Service Providers when in the sole discretion of Carrier the danger of fire exists due to spillage or leaks or when the driver disregards good operating practices or Carrier's instructions. Shipper shall ensure that its Tank Truck Service Providers adhere to all rules and regulations or instructions relative to tank truck unloading issued by Carrier from time to time. Shipper shall remain the consignee to any bill of lading with, and be responsible for payment to, the Tank Truck Service Providers that Shipper hires for the delivery of Petroleum to truck receiving terminals at all Receipt Points whether or not such Receipt Points are operated or owned by Carrier.

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## **14. INTRA-SYSTEM TRANSFERS**

**14.1 Intra-System Transfers.** Other than with respect to batches of Petroleum, Carrier shall, upon written request of a Shipper (the "Transferor") following the Transferor's Tender and prior to Delivery in respect of such Tender, permit the Transferor to transfer all or any portion of its rights and obligations under the Tariff in respect of such Tender to another Shipper (the "Transferee"); provided that (i) the Transferee satisfies the

Performance Assurance requirements set forth in Section 27, (ii) the Transferee assumes in writing all obligations and liabilities whatsoever in respect of the Tender or portion thereof, as applicable, under the Tariff from and after the time Carrier approves such transfer, and (iii) the Transferor has Tendered a volume of Petroleum equal to or greater than the volume of Petroleum to be transferred to the Transferee. The Transferee and the Transferor shall confirm in writing to Carrier the transfer volume, transfer timing, Delivery Point, swing instructions (which swing instructions are intended to facilitate the balancing of intra-system transfers) and provide to Carrier any other information or documentation required by Carrier, in its sole discretion. In the event that the Transferor and Transferee do not provide swing instructions, Carrier shall use commercially reasonable efforts to balance the intra-system transfer request with the Transferor's Tendered volumes, and any determinations made by Carrier in this regard shall be final and binding on the Transferor and the Transferee. Carrier shall have no liability whatsoever to the Transferee and the Transferor in respect of an intra-system transfer.

**14.2 Fee.** Shipper shall pay to Carrier a fee for intra-system transfers, which fee shall be specified in the Toll Schedule.

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## **15. STORAGE**

Carrier shall have no obligation to provide storage services to Shipper. At the request of Shipper, Carrier may, in its sole discretion, provide storage services for Shipper's Petroleum prior to Tender or after Delivery of Shipper's Petroleum at the fee and on the terms and conditions as set forth by Carrier from time to time.

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## **16. OVERAGE AND SHORTAGE FEES**

Subject to the loss allowance set forth in Section 10.7 and any intra-system transfers pursuant to Section 14.1, Shipper's Monthly Inventory Position shall equal zero for each Month. In the event that Shipper's Monthly Inventory Position is:

- (a) greater than zero, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the Overage Fee multiplied by (ii) the positive difference, if any, between (A) Shipper's Monthly Inventory Position and (B) Shipper's Tolerance Margin; and
- (b) less than zero, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the Shortage Fee multiplied by (ii) the positive difference, if any, between (A) the absolute value of Shipper's Monthly Inventory Position and (B) Shipper's Tolerance Margin.

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## **17. NON-PERFORMANCE**

During periods of apportionment, if the volume of Petroleum Tendered by Shipper on any Day is less than Shipper's apportioned volume by more than 5% of the apportioned volume, Shipper shall pay to Carrier a per Cubic Metre charge (the "**Non-Performance Charge**") for each Cubic Metre of the difference between that Shipper's apportioned volume for such Day and the volume Tendered by Shipper on that Day. For greater certainty, the Non-Performance Charge shall not apply to that portion of shortfalls caused by an event of Force Majeure or pursuant to Section 12. The Non-Performance Charge in effect from time to time shall be set forth in the Toll Schedule.

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## **18. EVIDENCE OF RECEIPTS AND DELIVERIES**

Carrier shall evidence the receipt and delivery of Petroleum by ticket or other records (including electronic records) showing the volume, type and any other specifications with respect to such Petroleum as specified by Carrier from time to time.

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## **19. FAILURE TO REMOVE PETROLEUM**

If Shipper fails to remove its Petroleum (other than Non-Specification Petroleum and Retention Stock, which are specifically addressed in Sections 5.5 and 7.9, respectively) from the Pipeline System or custody of Carrier upon Delivery:

- (a) a demurrage charge, as set forth in the Toll Schedule, shall be payable by Shipper to Carrier with respect to such Petroleum; and
- (b) Carrier shall have the right to immediately remove and sell such Petroleum in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the storage, removal and sale of such Petroleum. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper.

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## 20. CUSTODY OF PETROLEUM

Petroleum Tendered to Carrier shall be deemed to be in the custody and under the control of Carrier from and after the time it is received by Carrier at a Receipt Point until it is delivered by Carrier at a Delivery Point. In the event that Shipper does not take delivery of its Petroleum at a Delivery Point, Carrier shall not be liable to Shipper for any loss, cost, damage or expense whatsoever (including consequential and indirect loss and lost profits) while such Petroleum is in the custody of Carrier. For greater certainty, Shipper shall be liable to and indemnify Carrier in accordance with Section 21.1 if Shipper does not take delivery of its Petroleum at a Delivery Point.

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## 21. LIABILITY OF SHIPPER

### 21.1 Liability of Shipper. Shipper shall:

- (a) be liable to Carrier for all losses, costs, damages and expenses whatsoever (including consequential and indirect losses and lost profits) which Carrier may suffer, sustain, pay or incur; and
- (b) indemnify and hold harmless Carrier from and against any and all actions, proceedings, claims, demands, losses, costs, liens, damages and expenses whatsoever (including consequential and indirect losses and lost profits) which may be brought by a third party against, or suffered, sustained, paid or incurred by, Carrier,

as a result of the breach of the Tariff by Shipper or Shipper's Tank Truck Service Provider or as a result of the negligence or wilful misconduct of Shipper or Shipper's Tank Truck Service Provider in connection with, or relating to, or arising out of, Shipper's or Shipper's Tank Truck Service Provider's performance, purported performance or non-performance of the Tariff.

**21.2 Taxes.** Shipper shall pay or cause to be paid any and all taxes, duties, charges, levies or any other assessments whatsoever made or imposed by any government or regulatory authority having jurisdiction with respect to the Petroleum to be transported by Carrier and shall indemnify and hold harmless Carrier from and against any and all such taxes, duties, charges, levies or assessments so made or imposed. In the event that an amount is paid or payable to the Carrier by the Shipper to which Section 182 of the *Excise Tax Act* (Canada) applies, it is agreed that the amount paid or payable by the Shipper shall be grossed up such that the amount of GST deemed payable by such section is added to the amount paid or payable.

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## 22. LIABILITY OF CARRIER

**22.1 Liability of Carrier.** Carrier shall not be liable to Shipper for any loss, cost, damage or expense whatsoever (including consequential and indirect loss and lost profits) in connection with the services provided hereunder, except as caused by the gross negligence or wilful misconduct of Carrier (provided that, in such event Carrier shall not be liable to Shipper for consequential or indirect loss or lost profits).

**22.2 Apportionment of Cost.** If damage to or loss of Petroleum results while such Petroleum is in the custody of Carrier, then Carrier shall apportion the cost of such damage or loss on a pro rata basis among all Shippers on the Pipeline System. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the volume of the Shipper's Petroleum in the custody of Carrier in the Pipeline System on the date of such loss to the total volume of Petroleum in the custody of Carrier in the Pipeline System on the date of such loss.

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## 23. FORCE MAJEURE

**23.1 No Breach.** If Carrier or Shipper fail to perform any of its obligations under the Tariff and such failure occurs as a consequence of Force Majeure, then such failure shall be deemed not to be a breach of such obligations.

**23.2 Force Majeure.** The term "**Force Majeure**" shall mean any event or circumstance not reasonably within the control of the Person claiming suspension and which by the exercise of due diligence such Person is unable to prevent or overcome, including (i) lightning, storms, earthquakes, landslides, floods, washouts, tsunamis and other acts of God; (ii) fires, explosions, ruptures, breakages of or accidents to the Pipeline System or any other equipment or facilities necessary to operate the Pipeline System whatsoever; (iii) freezing of pipelines or pumps or obstructions of pipelines or appurtenances thereto; (iv) shortages of necessary labour, strikes, lockouts or other industrial disturbances; (v) civil disturbances, sabotage, acts of public enemies, war, blockades, insurrections, vandalism, riots, epidemics or acts of terrorism; (vi) arrests and restraint of governments and people; (vii) the order of any court, government body or regulatory body having jurisdiction with respect to the Petroleum or the Pipeline System; (viii) inability to obtain or curtailment of supplies of electric power, water, fuel or other utilities or services; (ix) inability to obtain or curtailment of supplies of any other materials or equipment; and (x) inability to obtain or revocation or amendment of any permit, licence, certificate or authorization of any governmental or regulatory body having jurisdiction with respect to the Petroleum or the Pipeline System, unless the revocation or amendment of such permit, licence, certificate or authorization was caused by the violation of the terms thereof or consented to by the Person holding the same.

**23.3 Exclusions.** Notwithstanding Section 23.2, the following shall not be events of Force Majeure:

- (a) insufficiency of Shipper's Petroleum supplies or markets;
- (b) lack of funds or other financial circumstance;
- (c) failure, for any reason, to obtain any Provincial export or other regulatory authorization required for Shipper to be entitled to remove Petroleum from a Province; or
- (d) the curtailment of interruptible or secondary firm transportation unless primary firm transportation is also curtailed.

**23.4 Remedy of Force Majeure.** A Person that fails to perform any obligation under the Tariff where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is reasonably able to do so; provided that the settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Person claiming suspension of its obligations hereunder by reason thereof.

**23.5 Limitations.** Notwithstanding Section 23.1, no event of Force Majeure shall (i) relieve Carrier or Shipper from any obligation pursuant to the Tariff unless it gives written notice with reasonable promptness of such event to the other; or (ii) relieve Carrier or Shipper from any obligation pursuant to the Tariff after the expiration of a reasonable period of time within which, by the use of its due diligence, it could have remedied or overcome the consequences of such event of Force Majeure.

**23.6 Payment Obligation.** Notwithstanding Section 23.1, no event of Force Majeure shall relieve Shipper from its obligations under the Tariff to make payment to Carrier, unless the event of Force Majeure occurs on the Pipeline System (except with respect to payments for Petroleum transported by Carrier prior to such Force Majeure).

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## 24. APPORTIONMENT

**24.1 Pipeline System Apportionment.** If more Petroleum (or more than one type of Petroleum) is Nominated for a Month than can be transported on the Pipeline System (or any segment thereof) by Carrier, Carrier shall allocate available capacity on the Pipeline System (or any segment thereof) among such Nominations as follows:

- (a) firstly, among TA Shippers Nominating for Firm Volumes based on a pro rata share of the capacity of the Pipeline System (or any segment thereof), on the basis of the Nominations by such TA Shippers for Firm Volumes up to a maximum level of such TA Shippers' Nominations for Firm Volumes; and
- (b) secondly, among all Shippers Nominating for non-Firm Volumes based on a pro rata share of the remaining capacity of the Pipeline System (or any segment thereof), on the basis of the Nominations by such Shippers for non-Firm Volumes.

**24.2 Receipt Point/Delivery Point Apportionment.** If more Petroleum (or more than one type of Petroleum) is Nominated for a Month for receipt at a Receipt Point or delivery at a Delivery Point than can be received by Carrier at such Receipt Point or delivered by Carrier at such Delivery Point, Carrier shall allocate available capacity among such Nominations as follows:

- (a) firstly, among TA Shippers Nominating for Firm Volumes based on a pro rata share of the capacity of such Receipt Point or Delivery Point, as applicable, on the basis of the Nominations by such TA Shippers for Firm Volumes up to a maximum level of such TA Shippers' Nominations for Firm Volumes; and
- (b) secondly, among all Shippers Nominating for non-Firm Volumes based on a pro rata share of the remaining capacity of such Receipt Point or Delivery Point, as applicable, on the basis of the Nominations by such Shippers for non-Firm Volumes.

**24.3 Tenders.** If more Petroleum (or more than one type of Petroleum) is Tendered to the Pipeline System (or any segment thereof) than can be transported on the Pipeline System or received at a Receipt Point or delivered at a Delivery Point by Carrier, Carrier shall have the right, in its sole discretion, to apportion or otherwise manage capacity on the Pipeline System (or any segment thereof) or at the Receipt Point or Delivery Point, as applicable, among such Tenders.

**24.4 Revised Nomination.** If Carrier apportions available capacity of the Pipeline System pursuant to Sections 24.1, 24.2 or 24.3, Carrier shall, as soon as reasonably practicable, notify Shipper of such apportionment. Within 24 hours of receipt of notice of apportionment by Shipper, Shipper shall provide Carrier with a revised Nomination accounting for such apportionment. If Shipper fails to provide a revised Nomination in accordance with this Section 24.4, Shipper's Nomination shall be deemed to be zero (0) for that Month.

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## **25. PETROLEUM INVOLVED IN DISPUTES**

**25.1 Title/Control.** Shipper represents and warrants that it owns or controls and has the right to Tender to Carrier, or have Tendered for its account, the Petroleum that it has Tendered to Carrier.

**25.2 Legal Disputes.** Carrier shall not be obligated to accept any Tender of Petroleum and Shipper shall not Tender to Carrier Petroleum which is in any way subject to litigation, the ownership of which may be in dispute or which is subject to a lien, security interest or charge of any kind whatsoever, unless Shipper provides to Carrier written notice of such litigation, dispute, lien, security interest or charge at least 30 Days prior to Tendering such Petroleum to Carrier, and Shipper furnishes Performance Assurance or an indemnity satisfactory to Carrier, in its sole discretion, fully protecting Carrier from and against any and all liability, loss, damage, cost and expense whatsoever (including consequential and indirect loss and lost profits) as a result of such litigation, dispute, lien, security interest or charge.

**25.3 Subsequent Legal Disputes.** Shipper shall immediately notify Carrier in writing if, at any time while Shipper's Petroleum is in the custody of Carrier, such Petroleum becomes involved in litigation, the ownership of such Petroleum becomes in dispute or such Petroleum becomes subject to a lien, security interest or charge of any kind whatsoever. Shipper shall, upon demand in writing from Carrier, furnish as soon as reasonably practical Performance Assurance or an indemnity satisfactory to Carrier, in its sole discretion, fully protecting Carrier from and against any and all liability, loss, damage, cost and expense whatsoever (including consequential and indirect loss and lost profits) as a result of such litigation, dispute, lien, security interest or charge.

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## 26. TIME FOR FILING CLAIMS AND SUITS

Any claim for loss, damage, delay or otherwise in connection with the receipt, transportation or delivery of Petroleum Tendered under the Tariff by Shipper must be submitted in writing to Carrier within 30 Days after Delivery of the Petroleum, or, in the case of failure to make Delivery, then within 30 Days after the expected time for Delivery has elapsed; and suits arising out of such claims must be instituted against Carrier within 2 years from the date when notice in writing is given by Carrier to such Shipper that Carrier has disallowed the claim or any part or parts thereof specified in such notice. Claims advanced beyond such 2 year period shall be null and void as between Shipper and Carrier. In causing Petroleum to be transported under the Tariff, Shipper agrees to be bound by the provisions of this Section 26 and waive any and all rights which it might otherwise have at law, equity or otherwise to make a claim after the expiration of such period 30 Days or to bring an action after the expiration of such period of 2 years.

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## 27. PERFORMANCE ASSURANCE

**27.1 Performance Assurance.** If at any time Carrier, in its sole discretion, has grounds for insecurity regarding the payment, performance or enforceability of any obligation of Shipper pursuant to the Tariff or otherwise relating or incidental to the receipt, transportation and delivery of Shipper's Petroleum by Carrier (including, without limitation, amounts in respect of equalization and/or component trading applicable to Shipper's Petroleum), whether or not there has been a default by Shipper under the Tariff including, without limitation, a failure to pay under the Tariff, Carrier may request and Shipper shall provide to Carrier Performance Assurance in an amount as determined by Carrier in its sole discretion; provided that, the amount of all Performance Assurance provided by Shipper to Carrier shall not exceed an amount equal to 3 Months of the tolls, charges and costs (including, without limitation, any pending increases to such tolls, charges and costs) as provided for in the Tariff and otherwise relating or incidental to the receipt, transportation and delivery of Shipper's Petroleum by Carrier (including, without limitation, amounts in respect of equalization and/or component trading applicable to Shipper's Petroleum) based on the quality of Petroleum Tender by Shipper for the prior 3 Months and:

- (a) with respect to a TA Shipper, the Firm Volume set forth in the TA; and
- (b) with respect to a non-TA Shipper, the volumes Nominated by such non-TA Shipper, historically Nominated by such non-TA Shipper or increased volumes that Carrier reasonably expects such non-TA Shipper to Nominate.

With respect to a Letter of Credit provided by a Shipper, Shipper shall renew or cause the renewal of such Letter of Credit provided to Carrier no later than 30 Days prior to the expiry thereof. If the financial institution that issued such Letter of Credit has indicated its intention not to renew such Letter of Credit, Shipper shall provide to Carrier either a substitute Letter of Credit in the amount determined in accordance with this Section 27.1 or such other Performance Assurance acceptable to Carrier, in its sole discretion, in each case 30 Days prior to the expiration of such Letter of Credit. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

If Shipper fails to provide Performance Assurance to Carrier within 2 Business Days of Carrier's written request thereof, Carrier may, in addition to any other remedy it may have under the Tariff, at law or in equity, suspend receipt and/or delivery of such Shipper's Petroleum until such Performance Assurance is provided to Carrier; provided that any such suspension shall not relieve such Shipper of its payment obligations pursuant to the Tariff.

**27.2 Financial Information.** On the request of Carrier, Shipper shall furnish to Carrier (i) as soon as available, and, in any event, within 90 Days after the end of each fiscal year of Shipper or its Credit Support Provider, as applicable, its annual audited financial statements for each of the three prior fiscal years of Shipper; and (ii) an organizational chart for Shipper and its Affiliates (that includes full legal names of all entities and ownership percentage of all entities). In addition, upon request of Carrier, Shipper shall furnish to Carrier, as soon as available, and, in any event, within 45 Days after the end of each of the first three fiscal quarters of each fiscal year of Shipper or its Credit Support Provider, as applicable, its quarterly unaudited financial statements prepared on a basis consistent with the corresponding period for the preceding fiscal year. If Shipper fails to provide the foregoing information within the periods set forth above, Carrier may, in addition to any other remedy it may have under the Tariff, at law or in equity, suspend receipt and/or delivery of Shipper's Petroleum

until such information is provided to Carrier; provided that any such suspension shall not relieve such Shipper of its payment obligations pursuant to the Tariff.

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## **28. BANKRUPTCY/INSOLVENCY OF SHIPPER**

Receipt and delivery by Carrier of Shipper's Petroleum shall be automatically suspended as of the time immediately preceding the occurrence of one or more of the following events with respect to such Shipper or its Credit Support Provider: (i) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (ii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation; (iv) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vi) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets; or (vii) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

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## **29. MISCELLANEOUS**

**29.1 Provision of Information.** Upon the request of Carrier, Shipper shall provide to Carrier a good faith estimate of its Daily, Monthly and annual Petroleum Tenders, together with any other information that Carrier may reasonably require to operate and maintain the Pipeline System. Carrier shall provide to Shipper such information as Shipper may reasonably require for Shipper to monitor transportation of its Petroleum on the Pipeline System.

**29.2 No Interest In Pipeline System.** Shipper does not acquire any right to, title or interest in the Pipeline System or any part thereof and, except as set forth in a TA, Carrier does not dedicate any portion and/or capacity of the Pipeline System for any Shipper.

**29.3 Interpretation.** Where a term is defined in these Rules and Regulations, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise require. In these Rules and Regulations, references to (i) "these Rules and Regulations", "hereof", "hereto" or "hereunder" and similar expressions mean and refer to these Rules and Regulations and not to any particular provision of these Rules and Regulations, and (ii) "including" means "including, without limitation," and "includes" and other derivatives thereof shall have corresponding meanings. The division of these Rules and Regulations into Sections and the provision of headings in these Rules and Regulations are for convenience of reference only and shall not affect the construction of these Rules and Regulations. In these Rules and Regulations, words importing the singular shall include the plural and vice versa and words importing gender shall include the masculine, feminine and neuter genders, all as may be applicable by the context. Any reference in these Rules and Regulations to an agreement shall, unless the context otherwise requires, mean and refer to such agreement as modified, amended, restated, supplemented or replaced by a formal agreement from time to time, and a reference to any statute is a reference to it and to the regulations, bylaws or other subsidiary legislation made pursuant thereto, all as re-enacted, varied, amended, modified, supplemented or replaced from time to time.

**29.4 New Shippers.** Prior to a Person becoming a Shipper on the Pipeline System and the commencement of transportation service by Carrier in respect of such Person pursuant to the Tariff, such Person must (i) satisfy the Performance Assurance requirements set forth in Section 27.1; (ii) provide to Carrier the financial information set forth in Section 27.2; and (iii) provide to Carrier a notional new shipper fee, a portion of which may be refunded by Carrier, in each case as set forth in the Toll Schedule. Shippers that do not Tender Petroleum for 6 consecutive Months shall be deemed to have ceased to be a Shipper on the Pipeline System, and must comply with the requirements of this Section 29.4 in order to re-attain Shipper status.

**29.5 Waiver.** No waiver of any default or right under these Rules and Regulations or in respect thereof by Carrier shall be effective unless given in writing. No waiver by Carrier of any default under these Rules and Regulations shall operate as a waiver of any future or other default, whether of a like or different character.

**29.6 Governing Law.** These Rules and Regulations and the Toll Schedule shall be governed by, construed and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Each Shipper accepts the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom with respect to matters arising out of, or in connection with, these Rules and Regulations.

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### **30. NOTICES**

Publication of these Rules and Regulations or Toll Schedule (including any appendix thereto) on the website [www.pembina.com](http://www.pembina.com) shall be deemed to constitute notice of these Rules and Regulations and the Toll Schedule (including any appendices thereto) to all Shippers and other applicable Persons (including a Shipper's Credit Support Provider). The Rules and Regulations and Toll Schedule (including any appendices thereto) published on the foregoing website and in effect at the time of Tendering Petroleum by Shipper shall govern the receipt, transportation and delivery of such Petroleum. Subject to the foregoing, any notice, designation, statement, invoice or other communication hereunder from Carrier to Shipper or from Shipper to Carrier shall be made in writing and sent by ordinary mail, by personal delivery, by electronic transmission or by facsimile device by such Person to (i) in the case of notices to Carrier, its address or facsimile number set forth in the Toll Schedule, or (ii) in the case of notices to Shipper, to the last address or facsimile number for Shipper provided by Shipper to Carrier. In this regard, Shipper shall, by notice in writing to Carrier, provide its address, facsimile number and other relevant contact information to Carrier prior to Shipper's initial Tender of Petroleum into a Pipeline System and shall provide notice of any charges that are made thereto at anytime thereafter. The deemed receipt date for a mail communication is 3 Business Days following the mailing date. The deemed receipt date for a communication by personal delivery, electronic transmission or facsimile device is the Day on which such notice was sent; provided that if such Day is not a Business Day or such notice was received after 2:00 p.m. MT on such Day, such notice shall be deemed to have been received on the immediately following Business Day.