

PKM COCHIN ULC
RULES AND REGULATIONS TARIFF
Governing the
TRANSPORTATION
of
LIGHT CONDENSATE
by
PIPELINE

GENERAL APPLICATION

The Rules and Regulations published herein apply only under tariffs making specific reference by CER number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over Rules and Regulations published herein.

ISSUED: May 29, 2026

EFFECTIVE: July 1, 2026

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1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

“**API**” means American Petroleum Institute.

“**ASTM**” means American Society for Testing and Materials.

“**Available Capacity**” means the capacity of the Cochin Pipeline, expressed in Barrels per day, available to transport in a month, given operating conditions in that month.

“**Barrel**” means a unit of volume equivalent to forty-two (42) United States gallons measured at a temperature of sixty degrees Fahrenheit (60°F) and a pressure of 14.696 psi.

“**Business Day**” means any day that is not a Saturday, Sunday or a statutory holiday in Calgary, Alberta or Houston, Texas.

“**CER**” means the Canada Energy Regulator, or any commission, agency or other successor succeeding to the powers of the Canada Energy Regulator with respect to the regulation of pipelines that transport Light Condensate.

“**Carrier**” means PKM Cochin ULC.

“**Celsius**” (°C) is equivalent to the Fahrenheit temperature minus 32 divided by the factor 1.8.

“**Cochin Pipeline**” means Carrier's pipeline system to transport Light Condensate from a Receiving Point near the Canada/U.S. border near Alameda, Saskatchewan (Maxbass, North Dakota), to a Delivery Point near Fort Saskatchewan, Alberta, Canada.

“**Cochin U.S.**” means Pembina Cochin LLC.

“**Cochin U.S. Pipeline**” means the Cochin U.S. pipeline system for the transportation of Light Condensate from a receipt facility in Kankakee County, Illinois to the Canada/U.S. border near Maxbass, North Dakota (Alameda, Saskatchewan).

“**Committed Capacity**” means, for a month, the lesser of (i) ninety percent (90%) of the Available Capacity for such month, and (ii) the aggregate nominations for Committed Volumes for such month.

“**Committed Rate**” means the international joint rate or toll charged to a Committed Shipper for Services relating to volumes of Light Condensate transported on the Cochin Pipeline pursuant to the terms of a Committed Shipper's transportation service agreement and the terms of Carrier's joint international tariffs with Cochin U.S. for the transportation of Light Condensate from Receiving Points in Kankakee County, Illinois or Clinton, Iowa, United States to the Delivery Point near Fort Saskatchewan, Alberta, Canada, which tariff shall be on file and posted at the FERC and CER as such tariffs may be amended or supplemented from time to time.

“**Committed Shipper**” means a Shipper that has contracted for transporting or paying for a Committed Volume on the Cochin Pipeline pursuant to the terms of a TSA entered into with Carrier.

“**Committed Shipper Allocation**” shall have the meaning given to it in Rule 17(c).

“**Committed Volume**” means, with respect to a Committed Shipper, the minimum daily volume of Light Condensate to be received by Carrier set out in the Committed Shipper's TSA in respect of the Cochin Pipeline.

“**Cubic Meter**” (m³) means a metric unit of volume at a temperature of fifteen degrees Celsius (15°C) and a pressure of 101.325 kPa which is equivalent to 6.289811 Barrels at a temperature of sixty degrees Fahrenheit (60°F) and a pressure of 14.696 psi.

“**CUSMA**” means the Canada-United States-Mexico Agreement, as may be amended, modified, codified, replaced, supplemented or re-enacted in whole or in part and in effect from time to time, including rules and regulations promulgated thereunder.

“**Deficiency Fee**” means payments to be made by a Committed Shipper as determined in accordance with Section 2.3 of the TSA.

“Delivery Point” means any point of interconnection between a delivery flange that is included in the Cochin Pipeline and another facility.

“DRA” means Drag Reducing Agent.

“FERC” means the Federal Energy Regulatory Commission in the United States, or any commission, agency or other successor succeeding to the powers of the FERC with respect to the regulation of pipelines that transport Light Condensate.

“Financial Assurances” means the financial assurances provided by Shipper and accepted by Carrier in accordance with Rule 21.

“Guarantee” shall have the meaning given to it in Rule 21(a).

“Kilopascal” (kPa) is equivalent to 0.1450377 pounds per square inch.

“Light Condensate” means a liquid hydrocarbon having properties conforming to those specified in Rule 4(a).

“Minimum Volume” means, for the Cochin Pipeline, a minimum continuous volume of 50,000 Barrels or 8,000 cubic meters of Light Condensate received or delivered at one time.

“Monthly Volume” means the product of the Committed Volume multiplied by the number of days in the relevant month.

“Overnominating Shipper” shall have the meaning given to it in Rule 17(d).

“Receiving Point” means any point of interconnection between a receipt flange that is included in the Cochin Pipeline and another facility.

“Regular Delivery Point” means a Delivery Point for the delivery of Light Condensate as provided for in Carrier's toll schedules or rate tariffs.

“Regular Receiving Point” means a Receiving Point for the receipt of Light Condensate as provided for in Carrier's toll schedules or rate tariffs.

“Remaining Available Capacity” shall have the meaning given to it in Rule 17(c).

“Retention Stock” means the combination of Working Stock and Tank Bottoms.

“Services” means the receipt of Light Condensate for a Shipper's account at a designated Regular Receiving Point and the terminaling, transportation and delivery of such Light Condensate to a designated Regular Delivery Point.

“Shipper” means a party that contracts with Carrier for the provision of Services pursuant to the rules, regulations and rates or tolls in Carrier's tariffs, and that has satisfied Carrier of that party's capacity to perform its financial obligations that may arise from the provision of Services, and includes a Committed Shipper and a transferee of a Shipper's rights and obligations, as approved in accordance with Rule 21(c).

“Shortfall Volume” shall have the meaning given to it in Rule 17(d).

“Tank Bottoms” means the volume of Light Condensate required by Carrier, at locations where Carrier provides necessary operational tankage, to float tank roofs to working levels and to maintain that level.

“Tender” means an offer by Shipper to Carrier in accordance with this tariff for the transportation of a stated quantity of Light Condensate from a Regular Receiving Point to a Regular Delivery Point.

“TSA” means a Transportation Services Agreement executed by Carrier and a Committed Shipper pursuant to an open season.

“Uncommitted Capacity” means, for a month, the greater of (i) ten percent (10%) of the Available Capacity for such month, or (ii) the positive difference resulting from the subtraction of the Committed Capacity from the Available Capacity for such month.

“Uncommitted Volumes” means: (i) volumes of Light Condensate received by Carrier for transportation for a Shipper that is not a Committed Shipper; and (ii) volumes of Light Condensate

received by Carrier for transportation for a Committed Shipper in a month that are in excess of such Committed Shipper's Monthly Volume.

"Unused Available Capacity" shall have the meaning given to it in Rule 17(c).

"Vapor Pressure" means the dry vapor pressure equivalent as determined using the ASTM Standard D5191 "Standard Test Method for Vapor Pressure of Petroleum Products (Mini Method)".

"Viscosity" means the property which offers resistance to flow and is based on Carrier's reference pipeline temperature at the time of receipt.

"Working Stock" means the volume of Light Condensate required by Carrier as linefill for its pipeline, pump stations and terminals for operational and scheduling purposes, as specified from time to time by Carrier.

2. COMMODITY

- a. This tariff applies to the transportation of Light Condensate by Carrier and no commodity other than Light Condensate will be transported under this tariff.

3. ORIGIN AND DESTINATION

- a. Subject to the further provisions of this tariff, Carrier will only accept Light Condensate for transportation:
 - i. at Regular Receiving Points;
 - ii. when the Light Condensate has been specified to be delivered to one or more Regular Delivery Points;
 - iii. when the party taking delivery of the Light Condensate has been specified in writing to Carrier; and
 - iv. when Shipper has evidenced, to the satisfaction of Carrier, that arrangements have been made for Shipper to take delivery of the Light Condensate.
- b. Carrier shall not be responsible for Light Condensate that cannot be delivered as specified by the Shipper due to any regulatory intervention.

4. SPECIFICATIONS AS TO QUALITY

- a. Shipper shall not deliver to Carrier and Carrier shall not be obligated to accept Light Condensate that, as determined by Carrier, has on receipt:
 - i. (1) a temperature greater than 38 degrees Celsius;
 - (2) a Vapor Pressure in excess of 103 Kilopascals (ASTM D5191 referee test method);
 - (3) sediment and water in excess of 0.5 percent by volume (ASTM D2709. ASTM D95/D473 referee test methods);
 - (4) a density less than 600 kilograms per cubic meter, or in excess of 775 kilograms per cubic meter at 15 degrees Celsius (ASTM D4052 referee test method);
 - (5) a kinematic viscosity in excess of 2 square millimeters per second determined at Carrier's reference temperature (ASTM D445 or D7042 referee test method);
 - ii. any untreated cracked material which will include, but will not be limited to, coker by products, olefin plant by products and cat cracked stocks;
 - iii. any organic chlorides;
 - iv. physical or chemical characteristics that may render such Light Condensate not readily transportable by Carrier or that may materially affect the quality of other commodities transported by Carrier or that may otherwise cause disadvantage to Carrier; and

- v. any characteristics that are inconsistent with the Light Condensate Acceptance Practice referenced in Rule 23.

In the event of any conflict or discrepancy between clauses (i) through (iv) above, on the one hand, and the Light Condensate Acceptance Practice referenced in clause (v), on the other, whichever is the more stringent shall apply.

Shipper shall not deliver to Carrier and Carrier shall not be obliged to accept Light Condensate that is inconsistent with the CUSMA Practice referenced in Rule 23.

- b. Shipper shall, as required by Carrier, provide to Carrier a certificate with respect to the specifications of Light Condensate listed in (i) through (v) above to be received by Carrier from Shipper. If Shipper fails to provide Carrier with such certificate, then Carrier will not be obligated to accept Shipper's Light Condensate.
- c. If Carrier determines that a Shipper does not comply with the provisions of paragraph (a) of this Rule 4, then such Shipper shall remove its Light Condensate from the Cochin Pipeline as directed by Carrier.
- d. If a Shipper fails to remove its Light Condensate from the Cochin Pipeline in accordance with the provisions of paragraph (c) of this Rule 4 or fails to remove its Light Condensate from a Regular Delivery Point, then Carrier shall have the right to remove and sell such Light Condensate in such lawful manner as deemed appropriate by Carrier. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, arrangement of alternate transportation, removal, marketing and sale of such Light Condensate. The remainder of such proceeds, if any, shall be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.

5. CHANGES IN QUALITY AND SEGREGATION

- a. Shipper acknowledges and agrees that Light Condensate delivered to the Cochin Pipeline by all Shippers will be commingled and that Carrier will not endeavor to deliver substantially the same type of Light Condensate as that received from Shipper.
- b. Carrier shall not be liable for any damage, loss or consequential loss resulting from a change in the density or other quality of a Shipper's Light Condensate that is commingled with other Light Condensate in the facilities of Carrier.
- c. Carrier may inject DRA into the Light Condensate to be transported and Shipper will accept delivery of shipments at the Delivery Point containing DRA compound.

6. EQUALIZATION (administered by Cochin U.S.)

- a. Carrier shall, for each month, calculate an equalization adjustment to account for quality differences for Light Condensate tendered to the Cochin Pipeline by or on behalf of each Shipper. The equalization adjustment shall be determined by Carrier using the procedures set out in the Equalization Practice referenced in Rule 23. All measurements of the Light Condensate tendered by Shipper shall be determined pursuant to Rule 12. Carrier may recover all costs incurred for calculating the equalization adjustments (including but not limited to sampling and testing) by spreading all such costs pro rata across the positive and negative equalization adjustments calculated under Rule 6(b).
- b. Where any Shipper has a positive equalization adjustment, Shipper shall pay the adjustment to Carrier. Carrier shall pay any negative equalization adjustments to Shippers tendering Light Condensate to the Cochin Pipeline and entitled thereto; provided that Carrier assumes no liability for payment of negative equalization adjustments unless Carrier receives payment of the positive equalization adjustments, and, if there is any shortfall, payments actually received by Carrier will be allocated on the basis of amounts owed. Carrier may calculate, and Shipper shall be liable for, retroactive equalization adjustments for a period of up to twelve (12) months from the month for which the equalization statement in question has been issued.
- c. Carrier will balance and settle Shipper Light Condensate volume over/short positions on a

monthly basis.

- d. Carrier may contract with a third party to implement the Equalization Practice, including having such third party collect and distribute funds thereunder on its behalf.

7. TENDERS AND QUANTITIES (administered by Cochin U.S.)

- a. Shippers desiring to Tender Light Condensate for transportation shall Tender to the Carrier in writing (Notice of Shipment) a separate Tender for each calendar month on or before the fifteenth (15th) day of the preceding month. Notice of any amendment to the monthly nomination date shall be provided by Carrier to all Shippers at a minimum of twenty four (24) hours in advance of the proposed change in nomination date. Carrier may, subject to the availability of space and the operating conditions of the facilities of Carrier, accept Tenders or revised Tenders after such time.
- b. Shipper shall, upon notice from Carrier, provide written third party verification as required by Carrier that Shipper has sufficient volumes accessible to support such Shipper's Tender. Carrier shall not be obligated to accept a Shipper's Light Condensate where such verification is, in the sole discretion of Carrier, unacceptable to Carrier.
- c. Carrier shall not be obligated to accept Shipper's Light Condensate if the volume of such Light Condensate is less than the Minimum Volume or if the receipt flow rate at which such Light Condensate is received by Carrier is less than or greater than the receipt flow rates specified from time to time by Carrier for each Regular Receiving Point. Carrier shall not be obligated to make a delivery of a Shipper's Light Condensate of less than the Minimum Volume or at a delivery flow rate less than or greater than the delivery flow rates specified from time to time by Carrier for each Regular Delivery Point.
- d. As specified in Carrier's Retention Stock Policy, each Shipper shall either supply its share of Retention Stock or pay the Retention Stock Surcharge specified in the Cochin U.S. local tariff and Carrier's incentive tariffs. The Retention Stock Surcharge collected will be distributed the following month to Shippers who provided Retention Stock during the prior month, in proportion to the quantity provided, as specified in Carrier's Retention Stock Policy.

8. COMMITTED SHIPPER NOMINATIONS AND DEFICIENCY FEES

- a. In the event that a Committed Shipper fails to nominate and/or Tender a volume of Light Condensate equal to the Committed Volume, it shall nevertheless pay to the Carrier the Deficiency Fee as determined in accordance with Section 2.3 of the TSA.
- b. Whether nominations and Tenders meet Committed Volume requirements will be assessed relative to receipts at the Receiving Point.

9. COMMITTED SHIPPER REIMBURSEMENT RIGHTS

- a. Deficiency Fees are not considered pre-paid transportation. Committed Shippers who pay a Deficiency Fee shall not be entitled to any reimbursement of all or any part of such Deficiency Fee, all as set forth in the TSA.

10. APPLICATION OF TOLLS

- a. Carrier shall charge Shipper the applicable toll and applicable surcharges for the transportation of Light Condensate that are in effect on the date of receipt of such Light Condensate by Cochin U.S., irrespective of the date of delivery by the Carrier at the Delivery Point.
- b. In accordance with National Energy Board Reasons for Decision MH-001-2013 and Order MO-096-2014, Carrier shall charge Shipper a surcharge applied on a per cubic metre basis. The surcharge shall be collected by Carrier and set-aside for the purpose of funding abandonment of the Cochin Pipeline.

- c. The applicable local toll on file with the CER, as may be amended or supplemented from time to time, will be increased annually, effective on July 1 of each year beginning July 1, 2015, by two and one half percent (2.5%).
- d. The tolls of Carrier are regulated by the CER on a complaint basis. The Carrier is required to make copies of tariffs and supporting financial information readily available to interested persons. Persons who cannot resolve toll and tariff issues with the Carrier may file a complaint with the CER. In the absence of a complaint, the CER does not normally undertake a detailed examination of the Carrier's tolls.

11. PAYMENTS OF RATES AND LIEN FOR UNPAID CHARGES

- a. Shipper shall pay all charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Light Condensate by Carrier. Shipper shall pay such charges and costs upon receipt of Carrier's invoice respecting such charges and costs. If required by Carrier, Shipper shall pay such charges and costs before delivery, or before acceptance of a transfer, of Shipper's Light Condensate by Carrier.
- b. Carrier shall have a general lien on all of a Shipper's Light Condensate that is in the possession of Carrier to secure the payment of all charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Light Condensate by Carrier. The general lien provided herein shall be in addition to any lien or security interest otherwise provided by law or contract. Carrier may withhold Shipper's Light Condensate from delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- c. If charges for the transportation of a Shipper's Light Condensate remain unpaid for ten days after notice of demand for payment of such charges and costs is made to such Shipper by Carrier, then Carrier shall have the right to remove and sell any or all of such Shipper's Light Condensate that is in the possession of Carrier in such lawful manner as deemed appropriate by Carrier.
- d. Carrier shall pay from the proceeds of such sale all charges and costs accruing or due relating to the transportation of such Shipper's Light Condensate by Carrier and all costs incurred by Carrier with respect to the storage, removal and sale of such Shipper's Light Condensate. The remainder of such proceeds, if any, shall be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.
- e. When required, Carrier shall, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Light Condensate on behalf of Carrier for the purpose of enforcing the general lien described in this Rule. Carrier hereby advises that it may appoint an agent to hold possession of Shipper's Light Condensate for the purpose of enforcing its general lien.

12. MEASURING, TESTING AND DEDUCTIONS

- a. Carrier shall gauge or meter, or cause to be gauged or metered, Shipper's Light Condensate in accordance with Carrier's standard operating procedures, upon receipt and delivery by Carrier. Shipper or the designee of Shipper may be present at such gauging or metering. If tank gauges are used, the volume of Light Condensate shall be computed from tank tables on a 100 percent (100%) volume basis. Carrier shall have the right to enter the premises where Light Condensate is received or delivered by Carrier and shall be granted access to all facilities for the purpose of gauging, metering or auditing and to make any examination, inspection, measurement or test as required by Carrier to verify the accuracy of such facilities and the quality of Shipper's Light Condensate. If there is any discrepancy between Carrier's meters and the metering equipment used by Shipper or a third party, the measurement indicated by Carrier's meters will be deemed to be the correct measurement.
- b. Carrier shall correct the measured volume of Light Condensate received and delivered by Carrier from the actual temperature of such Light Condensate to Barrels at a temperature of 60 degrees Fahrenheit by use of API Manual of Petroleum Measurement Standards,

Chapter 11.1 Volume 1, or the latest revision to such Standards.

- c. Carrier shall correct the metered volume of Light Condensate for compressibility by the use of API Manual of Petroleum Measurement Standards, Chapters 11.2.1 M or 11.2.1 or the latest revision to such Standards.
- d. Carrier shall determine the percentage of sediment and water in Light Condensate by the use of a centrifuge or other method agreed to by Carrier and Shipper. Carrier shall deduct the amount of sediment and water from the corrected volume of such Light Condensate.
- e. Carrier shall, as deemed necessary by Carrier, adjust the measured volume of Light Condensate for shrinkage in accordance with API Chapter 12.3 or the latest revisions to such standard.
- f. Carrier shall, as deemed necessary by Carrier, determine the kinematic Viscosity of Light Condensate received by Carrier in accordance with ASTM D 445 or the latest revision to such Standard or such other test as may be agreed to by Carrier and Shipper.
- g. Shipper shall be entitled to have delivered to it only that portion of its shipment as may remain after deduction of its pro rata share of any loss of Light Condensate while in the custody of Carrier, as determined by Carrier in accordance with Rule 15(b), and after any deductions or adjustments made by Carrier pursuant to the foregoing provisions of this Rule 12.
- h. The results of all such gauging, metering and testing by Carrier shall be final.

13. EVIDENCE OF RECEIPTS AND DELIVERIES

- a. Carrier shall evidence the receipt and delivery of Light Condensate by tickets showing the volume, temperature, density, sediment and water and any other data with respect to such Light Condensate as may be specified from time to time by Carrier. Tickets shall be signed by Shipper, or the designate of Shipper, and Carrier, but whether or not so signed by Shipper or its designate shall be conclusive evidence of the information set forth therein.

14. DELIVERY AND ACCEPTANCE; OWNERSHIP OF LIGHT CONDENSATE; IMPORT OBLIGATIONS

- a. Carrier does not have storage available for Shipper's Light Condensate at the Delivery Point. Shipper or the designee of Shipper shall accept such Shipper's Light Condensate upon arrival at the designated Regular Delivery Point for such Light Condensate and shall remove Shipper's Light Condensate immediately upon delivery.
- b. If a Shipper or its designee fails to remove its Light Condensate from the Cochin Pipeline in accordance with paragraph (a) of this Rule 14, then Carrier shall have the right to remove and sell such Light Condensate in such lawful manner as deemed appropriate by Carrier. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal, and sale of such Light Condensate. The remainder of such proceeds, if any, shall be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.
- c. Under no circumstances will Carrier be deemed to have acquired legal or beneficial ownership in any Light Condensate delivered to the Cochin Pipeline. Nothing in the foregoing shall limit or affect the lien or other rights of Carrier set forth in Rule 11.
- d. Shipper shall be the importer of the Light Condensate into Canada and the exporter of Light Condensate from the United States, and agrees to be subject to and responsible for the reporting, accounting and other obligations applicable to such importers and exporters under the Canadian Customs Act, United States Customs and Border Protection regulations, and other applicable laws and regulations. Shipper shall account for all imports of Light Condensate into Canada and shall pay all duties, taxes and other amounts that may be levied or payable in respect of such imports within the time and in the manner required by the Canadian Customs Act, the Canadian Customs Tariff, the Canadian Excise Tax Act and/or other applicable laws or regulations. Shipper shall report to the Canada Border

Services Agency all importations of Light Condensate into Canada and to the United States Customs and Border Protection all exports of Light Condensate from the United States into Canada.

- e. Shipper shall indemnify, hold harmless and reimburse Carrier for any and all duties, taxes, penalties, interest, costs and/or other amounts incurred by or which become payable by Carrier as a result of Shipper's failure to comply with its obligations under Rule 4(a) or 14(d) or in connection with Carrier's rights under Rules 11(b) or (c) hereof or the exercise of such rights.

15. LIABILITY OF CARRIER

- a. Except where caused by the direct negligence of Carrier, Carrier shall not be liable to a Shipper for any delay, damage, loss or consequential loss resulting from any cause while Carrier is in possession or control of such Shipper's Light Condensate, including, without limitation, the breakdown of the facilities of Carrier.
- b. If damage or loss to Light Condensate results from any cause other than the direct negligence of Carrier while Carrier is in possession or control of such Light Condensate, then Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the volume of Shipper's Light Condensate in the possession of Carrier on the date of such loss to the total volume of Light Condensate in the possession of Carrier on the date of such loss.
- c. To the extent Carrier deems it is unable, other than due to the direct negligence of Carrier, to transport product in its custody without impacting the operations and/or reliability of the Cochin Pipeline and associated facilities, Carrier will forecast, as soon as reasonably possible, an expected volume of Light Condensate that will be deemed lost, the estimated proportional allocation of the losses for each of the Shippers and the projected location of where the impacted volumes will be retained. Each Shipper allocated such a loss shall have 48 hours from when the impacted Light Condensate arrives at the indicated location to make arrangements to take possession and remove its allocated volume from such location. In the event that a Shipper notifies Carrier that it prefers to have Carrier dispose of such volumes on its behalf or otherwise fails to remove such volumes from Carrier's system within the noticed 48-hour period, Carrier shall remove the Shipper's allocated volume in a manner and at a time deemed appropriate by Carrier. To the extent Carrier disposes of such volumes by sale, Carrier shall pay from the proceeds of such sale any reasonable and verifiable costs incurred by Carrier with respect to the storage, arrangement of alternate transportation, removal, marketing and sale of such volumes and remit the remainder of such proceeds, if any, to the Shipper.
- d. Notwithstanding subpart c. above, Carrier reserves the right to take immediate actions to dispose of any loss product on its system if it is deemed by Carrier that delays will impact the safety, operational performance or reliability of the Cochin Pipeline or associated facilities. In the case of such a disposition through sale, proceeds, if any, will be allocated to the affected Shippers pursuant to the terms of subpart c. above.

16. INDEMNIFICATION BY AND LIABILITY OF SHIPPER

- a. A Shipper shall indemnify Carrier for any damage, loss, costs or consequential loss incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff, excluding any damage, loss, costs or consequential loss caused by the direct negligence of Carrier.
- b. If the Light Condensate is not removed from Carrier's facilities and a disruption of Carrier's operation results, Shipper causing such disruption shall be completely and absolutely liable for all costs associated with such disruption, including loss of revenue resulting therefrom.

17. PRIORITY SERVICE AND APPORTIONMENT

- a. Carrier may, without liability, allocate available pipeline capacity for any month in which the requested Tenders exceed the Available Capacity. If, in a month, the aggregate Tenders for Service by all Shippers exceed the Available Capacity for such month then Carrier will, within two (2) working days of the receipt of all Tenders for the upcoming month, contact Shippers to determine if any are willing to voluntarily reduce their Tenders. If, in a month, the aggregate Tenders, as voluntarily reduced by Shippers, still exceed the Available Capacity for such month then, as set forth below, Carrier will apportion the Services as outlined in Rules 17(b) and 17(c) below. Shippers will be notified by Carrier of their allocated volumes within four (4) working days of the receipt of all Tenders for the upcoming month.
- b. Apportionment of the Services to Uncommitted Volumes will be required in a Month when the aggregate nominations for Uncommitted Volumes exceed the Uncommitted Capacity. In such Month, Carrier will apportion the Services such that the aggregate Uncommitted Volume is equal to the Uncommitted Capacity.
- c. When the Services are apportioned among Shippers, Carrier shall allocate Available Capacity in the following order of priority:
 - i. nominations for Committed Volumes in the proportion that a Committed Shipper's Committed Volume bears to the Committed Capacity, provided that capacity will not be allocated to a Shipper in excess of the lower of such Shipper's nomination or Committed Volume. The allocation of capacity made in a month to each Committed Shipper pursuant hereto shall be the "Committed Shipper Allocation";
 - ii. if any capacity remains after satisfying the nominations for Committed Volumes, nominations for Uncommitted Volumes (including nominations by Committed Shippers for volumes in excess of their Committed Volumes) will be allocated in the proportion that each such nomination bears to the aggregate nominations for such Uncommitted Volumes and;
 - iii. if any capacity remains after satisfying the nominations in subsections (i) and (ii) (the "Remaining Available Capacity"), the Remaining Available Capacity shall be allocated among all remaining Shippers' unfulfilled nominations on a pro rata basis based on each such Shipper's unfulfilled nomination.
- d. If a Shipper fails to physically deliver to Carrier at the Receiving Point its allocated volume resulting from its nomination in a month when apportionment is applied ("Overnominating Shipper") then:
 - i. If Overnominating Shipper advises Carrier in writing of its inability to deliver a portion of its allocated volume ("Short Fall Volume") then Carrier will use all reasonable efforts to equitably offer such Short Fall Volume to other Shippers;
 - ii. Any volumes reallocated to other Shippers will be credited against all Short Fall Volume of the Overnominating Shippers on a pro rata basis;
 - iii. Any Short Fall Volume that are not taken and reallocated to other Shippers shall be invoiced at the published toll as though such Short Fall Volume had been received for the Overnominating Shipper; and
 - iv. Any invoices for Short Fall Volumes will have to be paid before Carrier will accept further nominations or product for receipt from that Overnominating Shipper.

18. REQUESTED CHANGE BY SHIPPER

- a. Subject to the operating conditions of the facilities of Carrier and the other terms and conditions of this tariff, Carrier may, upon the written request of a Shipper, allow a Shipper to change: (i) the designated volume and type of its Light Condensate to be received at a designated Regular Receiving Point; (ii) the designated volume of its Light Condensate to be delivered to a designated Regular Delivery Point; and (iii) the party designated to take delivery of its Light Condensate.

19. ADVERSE CLAIMS AGAINST LIGHT CONDENSATE

- a. Shipper shall not Tender or deliver to Carrier Light Condensate which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind unless Shipper provides written notification to Carrier of such litigation, dispute, lien or charge not less than twenty (20) days before such Tender is made to Carrier.
- b. Carrier shall not be obligated to accept Light Condensate that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind.
- c. A Shipper shall advise Carrier in writing if, at any time while Shipper's Light Condensate is in the possession of Carrier, such Light Condensate becomes involved in litigation, the ownership of such Light Condensate becomes in dispute or such Light Condensate becomes encumbered by a lien or charge of any kind.
- d. A Shipper shall, upon demand from Carrier, provide a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss that may arise as a result of such Shipper's Light Condensate that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind.

20. CLAIMS, SUITS AND TIME FOR FILING

- a. As a condition precedent to recover, claims for loss, damage or delay in connection with the shipment of Light Condensate Tendered for shipment under the terms of this tariff must be filed in writing with the initial or delivering Carrier within one (1) month after delivery of the Light Condensate, or, in the case of failure to make delivery, then within one (1) month after a reasonable time for delivery has elapsed; and suits arising out of such claims must be constituted against the Carrier within six (6) months from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. In causing Light Condensate to be transported under this tariff, the Shipper agrees to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of the said period of one (1) month or to bring an action after the expiration of the said period of six (6) months.

21. FINANCIAL ASSURANCES

- a. At all times any prospective or existing Shipper shall either:
 - i. maintain a credit rating or credit ratings for senior unsecured long term debt that are no lower than any of the minimum credit ratings set forth below; or
 - ii. if a Shipper or prospective Shipper has at least one credit rating for senior unsecured long term debt that is lower than one of the minimum credit ratings set out below or does not maintain a credit rating for senior unsecured long term debt, such Shipper or prospective Shipper shall, have and maintain a guarantee in favor of Carrier, in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier in form and substance acceptable to Carrier in its sole discretion, from a guarantor that is credit rated and has no credit ratings that are lower than any of the minimum credit ratings set out below and that either is a direct or indirect parent of Shipper or prospective Shipper at the time such guarantee is delivered to Carrier or provides a legal opinion to Carrier confirming the enforceability of such guarantee, from an issuer and in form and substance acceptable to Carrier (the "Guarantee"):

<u>Agency</u>	<u>Minimum Credit Rating</u>
Moody's Investor Services	Baa3

Standard & Poor's	BBB-
Dominion Bond Rating Service	BBB (low)

- b. If Carrier reasonably determines that:
- i. Shipper's credit rating has fallen below one or more of the minimum credit ratings set forth above, or has otherwise become impaired or unsatisfactory; or
 - ii. if the Guarantee required in accordance with Rule 21(a) no longer provides adequate security for the performance of Shipper's obligations arising from the transportation of Light Condensate under this tariff or the credit rating of the guarantor falls below one or more of the minimum credit ratings set forth in Rule 21(a),

then Shipper shall, within ten (10) Business Days after written notice from Carrier, deliver to Carrier one or more of the following Financial Assurances, as selected by Shipper, in such an amount as determined by Carrier for payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to Carrier:

- A. prepayment of an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier;
- B. a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier, in a form and from an institution reasonably acceptable to Carrier, such letter of credit to allow Carrier to demand full or partial payment thereunder in the event of a Shipper Default; and/or
- C. another Guarantee in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier, in a form and from a third party acceptable to Carrier

provided that in the case of a Committed Shipper the amount of the prepayment pursuant to (A) above and the letter of credit pursuant to (B) above shall be no greater than the product of (i) the Committed Volume, multiplied by (ii) 365, multiplied by (iii) the Committed Rate (the "Financial Assurances").

Carrier shall not be obligated to accept Light Condensate for transportation from an existing or prospective Shipper if such existing or prospective Shipper fails to deliver the Financial Assurances to Carrier within ten (10) Business Days of Shipper's receipt of Carrier's written request for such Financial Assurances.

For so long as Shipper or the guarantor maintains at least a credit rating for senior unsecured long term debt from at least one of the rating agencies set forth above and no such credit rating has fallen below one or more of the minimum credit ratings set forth above, then Carrier shall not be entitled to require any prepayment, posting of a letter of credit or another Guarantee if and for so long as Shipper or the guarantor has a credit rating no lower than Baa1 (Moody's), BBB+ (Standard & Pooers) or BBB (high) (Dominion) from any of the above rating agencies.

- c. If Rule 21(a) is not satisfied or required Financial Assurances are not provided in accordance with Rule 21(b), upon the request of Carrier, any prospective or existing Shipper that is not a publicly held company shall provide information to Carrier that will allow Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Light Condensate under the terms of this tariff, including the payment of transportation charges, equalization obligations and the value of the negative Shipper's balance positions. Carrier shall not be obligated to accept Light Condensate for transportation from an existing or prospective Shipper that is not a publicly held company if Shipper or prospective Shipper fails to provide the requested information to Carrier within ten (10) Business Days of Carrier's written request, or if Carrier's review of the requested

