

## SECTION 2 SHIPPER INFORMATION

### **2.0 Accepting Shipments**

Explorer Pipeline Company accepts shipments in accordance with the terms of its current tariffs, proration policy, and this Shipper manual, copies of which are available on the Company web site located [www.expl.com](http://www.expl.com). If there are any inconsistencies between the documents, the Company's current tariff will prevail.

### **2.1 Facility Requirements**

#### **2.1.1 Shipper's Facilities - Origin Points**

- A. Shipper-designed origin facilities shall be capable of supplying clean products free from water and other impurities with a design emphasis on minimizing origin created interfacial mixture. Excessive interfacial mixture will be handled as transmix receipts for the account of the Shipper.
- B. Each Shipper will be expected to furnish the following facilities:
  - i. Shipper shall furnish facilities to deliver petroleum products to Explorer manifold at origin stations at a compatible pressure and at a pumping rate equal to Explorer's full line pumping rate or injection rate, if applicable. Explorer's Operations Department should be contacted for applicable pressure and pumping rates.
  - ii. Pumps shall be compatible from "No Flow" to "Maximum Flow" in 10 seconds and running at "No Flow" conditions for three minutes.
  - iii. Purge lines sized to permit effective purging of Shipper's delivery lines where required.
  - iv. Check valves where necessary to prevent back flow to tankage.
  - v. Electrical controls and data exchange to allow Explorer to start and stop pumps, operate valves, read meters and tank gauges, etc. if Explorer is required to operate the Shipper facilities.
  - vi. Approved data link to Explorer's origin facilities connected to Shipper.

### 2.1.2 Explorer's Facilities - Origin Points

Explorer will furnish the following facilities:

- A. Manifold valves and flanged connections at origin locations.
- B. Main Line pumps at Port Arthur, Texas; Pasadena, Texas; Glenpool, Oklahoma and Wood River, IL; to boost stream to mainline rates.
- C. Custody transfer metering systems and associated equipment for quality control.
- D. Insulating flanges.
- E. Data for each connected facility, to be sent over a Shipper supplied link.
- F. Operating personnel, if necessary, to make product changes at Explorer's manifolds, to start and stop receipts and perform other necessary pipeline operations.

### 2.1.3 Shipper's Facilities-Delivery Points

Shippers will be expected to furnish the following facilities at destinations:

- A. Adequate tankage to receive scheduled volumes at Explorer specified delivery rates.
- B. Necessary facilities to permit Shipper to make terminal tank changes independent of pipeline, without disruption of pipeline operations.
- C. Adequately sized tank lines so that the maximum backpressure at the terminal of Explorer facilities shall not exceed 50 psig at the specified delivery rates.
- D. Explorer facilities will terminate at the terminal property line of the Shipper's facilities unless otherwise designated.
- E. Necessary tankage to receive transmix generated on lateral stub lines.
- F. Data link between the Explorer facility and the Shipper's facility.

#### 2.1.4 Explorer's Facilities - Delivery Points

Explorer will furnish the following facilities to be located on Explorer property as near to the mainline or Explorer tankage as practical:

- A. Power operated mainline or stub line delivery valves.
- B. Necessary equipment to manage flow through Shipper's receiving facilities to lines and tanks.
- C. Necessary custody transfer meters and meter proving facilities. Tank gauges may be used in lieu of meters at Explorer discretion.
- D. Necessary manifold delivery valves, power operated, to permit batch changes to be made with minimum contamination.
- E. Necessary sampling and interface detection equipment for batch changes.
- F. Data for each connected facility.
- G. A maximum of two delivery line connections at Explorer's manifold. Lines to be sized to deliver to Shipper's facilities property line. Explorer will determine when separate delivery tank lines are required.

#### 2.1.5 Explorer's Breakout Tankage

Explorer will provide the necessary tankage at certain locations for purposes of scheduling volumes only. Explorer's common carrier breakout tankage is not for the storage of material by Shipper, except under the conditions set forth in Explorer's F.E.R.C. tariff.

### 2.2 New Connections

New connections for deliveries to and from Explorer will be considered on the basis of a revenue commitment generating favorable economics, compatibility with existing operations and sound business judgment. For connections meeting these requirements, Explorer requires execution of a Pipeage contract. Should you have an interest in a new connection or require more details, contact Explorer's Manager, Shipper Relations & Product Quality or Manager, Business Development.

### 2.3 Proration - General Requirements

Pursuant to Explorer's Petroleum Products Proration Policy and Item 90 of the F.E.R.C. Tariff, each segment of mainline or lateral line will be separately prorated, if necessary. Space in each segment will be allocated among "Regular Shippers" and any "New Shipper" as follows:

The forecast volumes for each Regular Shipper and New Shipper shall be totaled and divided into line capacity. The resultant fraction will be the

"Proration Factor". Each New Shipper shall be allocated space equal to its forecast volumes multiplied by the Proration Factor. The remaining capacity shall be allocated among Regular Shippers in proration to their base period shipments.

The "base period" is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation. A "Regular Shipper" is any Shipper who received deliveries during the first month of the base period, or who previously has been classified as a Regular Shipper and who continues to receive deliveries in any one or more months of any succeeding base period. A "New Shipper" is a Shipper who does not qualify as a Regular Shipper under the above definition.

## **2.4 New Shippers**

Explorer requires that a company seeking to become a New Shipper must notify Explorer's Manager, Shipper Relations & Product Quality in writing. Explorer will furnish the new prospective Shipper with the necessary documentation to be considered for Shipper status. Shipper documentation must establish a need for capacity on Explorer's system, including retail or rack demands, tank leases, throughput agreements and/or supply contracts. Confidentiality agreements will be provided upon request. The Throughput Forecast Form may be found on the Company's webpage under "Shipper Forms." In addition, Shipper documentation must include current audited financial statements, most current interim financial statements, acceptable bank and trade references to reflect credit worthiness and executed agreement not to violate the Explorer Proration Policy.

## **2.5 Required New Shipper Information and Requirement**

Explorer's general financial requirements for New Shippers are that Explorer receives the Shipper's most current audited financial statements, most current interim financial statements, acceptable bank references and trade references. New Shippers' credit worthiness will be properly evaluated by the Treasurer of Explorer before a new Shipper will be approved to utilize Explorer's transportation services. Common reasons for denial include insufficient financial data, insufficient income or revenues, limited credit experience or history, and/or excessive obligations or high credit balances. Non-refundable prepayment, prepaid transportation credit and/or parent guarantee may be required. For example, if a New Shipper has not established a sufficient need for capacity as set forth in Section 2.5 and/or does not have sufficient financials, as set forth in this Section, then a non-refundable deposit representing three (3) months of tariffs associated with New Shipper's forecasted volumes will be required. This deposit will be held by Explorer for one year. If after the one (1) year period, the New Shipper has become a Regular Shipper, then the deposit will be applied to future shipments on Explorer. If, after the one (1) year period, the New Shipper has not met the requirements as a Regular Shipper, then the deposit will be forfeited.

## **2.6 Transportation Charges**

Transportation charges will be computed and collected at the rates provided in the current tariff, on the basis of the number of barrels of petroleum products delivered at destinations, after volume corrections as provided in Item No. 60 of the current tariff.

## 2.7 Product Transfer Orders

Shippers may request transfer of title or ownership of commodities tendered for transportation after they have been received by Explorer at its Gulf Coast origins on the 28” mainline. The Product Transfer Order (“PTO”) service is available to Regular or New Shippers desiring to transfer title of commodities to another Regular or New Shipper while they are in custody of Explorer. A PTO effectively transfers all of the obligations associated with being a Shipper of a particular commodity batch to another Shipper at the destinations listed in 2.8.2.

### 2.7.1 Process

- A. All PTO requests will be initiated and processed through the Transport4 (“T4”) electronic interface system.
- B. PTO requests may be initiated by either the buyer or seller of the commodities as long as they are approved Shippers on Explorer. T4 will route the initial PTO request to the counterparty to the transaction for their acceptance and approval. After the request has been approved by the counterparty, T4 will route the request to Explorer for final approval and execution.
- C. PTO requests (with approval by the transaction counterparty) should be submitted to Explorer at least one business day (defined here as a non-holiday weekday) before the time scheduled for the start of delivery of the commodities into the Tulsa, Oklahoma tank farm. PTOs cannot be accepted or approved either after the start or completion of delivery of commodities.
- D. It is Explorer’s policy to make reasonable efforts to accommodate, approve and promptly process the PTO requests it receives. However, there may be certain instances where Explorer does not accommodate or approve a PTO request for some operating, scheduling, administrative or other reason. Shippers are advised that Explorer has no obligation to accept or process PTOs and makes no guarantee, and can offer no assurance, that a PTO request will be approved or accommodated. Explorer will not be liable for any claims for direct, indirect, incidental or consequential damages, including but not limited to, lost profits or other economic loss stemming from its failure to approve, accommodate or process a PTO request.

### 2.7.2 Transfer Location and Transportation Charges

All PTOs will be ticketed at the point of product delivery into Port Arthur, Texas (PTA), Tulsa, Oklahoma (GLN) or Wood River, Illinois (WDR) (Receiving Tank Farm). Transportation charges will be invoiced to the origin Shipper from the Gulf Coast origin to the listed destinations. Transportation charges will be invoiced to the Shipper receiving title of the commodities from the listed origins to its final destination. The history for the movement will be recorded the same as was invoiced.

2.7.3 Fees

A transfer fee of eight cents (8.0¢) per barrel of volume transferred will be assessed to the seller of the commodities. Each PTO is subject to a minimum transfer fee of eight hundred dollars (\$800.00).

2.8 **Capacity Allocation Program (CAP) Fees**

Capacity Allocation Program (CAP). See Item 25 of the Company’s current tariff.

2.9 **Nomination Integrity Program (NIP)**

See Item 25 of the Company’s current tariff.

2.10 **Nomination Instructions - Batch Number System**

2.10.1 General

Numbers will be assigned to batches to identify the movement with the Shipper, Pipeline Operating Personnel, and the Accounting Department.

2.10.2 Batch Number

The batch number identifying shipments through Explorer will contain the following information:

Shipper	(A.)
Grade of Product	(B.)
Cycle Number	(C.)
Flexible Batch	(D.)
Cycle & Number of Shipment of Grade in Cycle	(E.)
Point of Origin	(F.)
PHP-46-271-PTA	(A)-(B)-(C)(D&E)-(F)

- a. The Shipper will be identified by a three letter symbol as shown on Transport4 website.
- b. Grades of products will be identified by numerical codes shown in Section 3 of Explorer’s Shipper Manual.
- c. Cycle number will be identified by the numerical code shown on the Schedule Calendar found on Explorer’s website, under the Manuals/Forms & Documents.
- d. An alpha code will be used to designate Flexible Batches.
- e. A numeric code will be used to designate the shipment number.
- f. Point of origin will be identified by a three letter symbol shown on Transport4 website.

### 2.10.3 Cycle and Shipment Within A Cycle

This will consist of a 3-digit number, the first two of which will indicate the cycle in which the product was originated. The third digit indicating the number of shipments of a particular grade in each cycle for each company, from each location; but not necessarily in sequential order. An alpha code will be used in place of cycle number to designate Flexible Batches.

### 2.10.4 Batch Numbering Illustration (Refined Products)

Using PHI-46-271-PTA as an example, batch number would identify the movement as follows:

PHI	Phillips 66 - Shipper
46	87.0 R+M/2 North of Tulsa Unleaded Gasoline
27	Scheduled for Shipment in 27 <sup>th</sup> Cycle; the last digit indicating first Nominated Movement of 87.0 R+M/2 - Leaded Gasoline by Phillips 66 in 27 <sup>th</sup> Cycle.
PTA	Port Arthur, TX – Point of Origin

### 2.10.5 Deliveries of multiple Origin Batches

For accounting purposes, when a single batch consists of product from two or more originating points for the same Shipper, deliveries will be made to cover each origin's portion of the batch.

### 2.10.6 Transmix Identification

Transmix is commingled product that is generated in the mainline that does not meet Shippers marketing specifications. This product is accumulated in transmix tanks and managed by Explorer Pipeline.

## 2.11 General Forecasting Instructions

2.11.1 Any Shipper desiring to tender a refined petroleum product as outlined in the current Tariff for transportation shall on or before the 10<sup>th</sup> day of the month give notice on Transport 4, that includes an **origin, destination and volume** for the product to be shipped in the following month. Unless such notifications are made, Explorer shall be under no obligation to accept petroleum products from such Shipper and late nominations that must travel through prorated sections will not be accepted.

**Example:** Nominations due February 10<sup>th</sup> should cover nominations for March Cycles 13, 14, 15, 16, 17 and 18.

2.11.2 Explorer will prepare and furnish to each Shipper schedules showing the estimated time that each shipment will be received for transportation at origin points and estimated time of arrival at destinations. Such schedules may be revised from time to time to the extent reasonable to facilitate the efficient and economical use and operation of Explorer's facilities.

2.11.3 Shipper shall have each shipment available in tankage connected to Explorer's stations at least eight hours before the schedule time for receipt by Explorer. When a product is not available in tankage within the time limits as aforesaid, acceptance of said product will be at the discretion of Explorer.

## **2.12 Special Nominating Instructions**

Seventy two (72) hours prior to lifting, Explorer's scheduling office must be notified through Transport 4 regarding changes in volumes, origins, tankage, consignees, and delivery locations. If changes to the Nominations are not received within this period, Explorer is not obligated to accept the changes. Fees will apply for failure to adjust batches prior to the 72 hour deadline.

## **2.13 Transmix (Interface Material)**

Explorer will handle transmix as set forth under Item No. 75 of current tariff.

### **2.13.1 General Procedure - Mainline**

Explorer Pipeline takes responsibility for managing all transmix generated in mainline segments. Injection of products into compatible materials will be at Explorer's option.

### **2.13.2 General Procedures - Lateral, or Stub Lines**

Shippers who participate in movements on lateral or stub lines, which generate transmix, are required to provide for receipt of transmix (interface).

## **2.14 Accountability for Quantity**

All Shipper's origin lines will be monitored for water in products. Volumes of free water determined to be in products will be deducted from the meter tickets at origin locations and a processing fee assessed.

Explorer will only be accountable for delivery of that quantity of petroleum product accepted for transportation after the tender deduction of 0.05%.

Overages or shortages of inventories in Explorer's custody will be settled monthly with each Shipper on a monetary basis determined by the Platt's Oilgram low posting for US Gulf Coast Pipeline using the average of each business day prices quoted for the settlement month.

2.14.1 All Conventional Premium Unleaded Gasoline 93 octane and Premium Blend Stock – with a blended octane of Index (R+M/2) rating of either 93.0 or 91.0 after blending with 10% ethanol will be valued at the posting for the equivalent Premium product less \$0.05/gallon on the first 5% at origin.

2.14.2 All Unleaded Gasoline and Blend Stock - with Octane Index (R+M/2) rating of 87.0 will be valued at the posting for the CBOB 83.7 octane. Must become 87 octane after blending with 10% ethanol.



- 2.14.3 All Ultra-Low Sulfur Diesel Fuel - will be valued at the posting for Ultra-Low Sulfur Diesel.
  - 2.14.4 All Other No. 2 Fuel - will be valued at the posting for Low Sulfur Diesel Fuel.
  - 2.14.5 All Aviation Jet Fuel - will be valued at the posting for Jet 54 grade.
  - 2.14.6 All Kerosene/No. 1 Fuel - will be valued at the posting for Kerosene.
  - 2.14.7 All Specialty Grades – will be valued at the posting for CBOB 83.7 octane. Must become 87 octane after blending with 10% ethanol.
  - 2.14.8 Transmix - 35% gas CBOB/65% oil ULSD split less \$0.15/Gallon processing fee.
- 2.15 All products, except Aviation Turbine Fuel Jet, shall contain an oil soluble corrosion inhibitor approved by Explorer. Please refer to Item No. 85 of the current tariff.