

PACIFIC OPERATIONS PIPELINE OXYGENATED FUEL POLICY

Gasolines containing alcohols or ethers as blending components will not be accepted for transportation on the KMEP, L.P. (KMEP) system.

The shipper has the sole responsibility to assume and perform the duties of a generator of hazardous waste and/or hazardous substance under current EPA and State regulations. Accordingly, the shipper will dispose of any mixture that may separate from the gasoline as a separate and distinct phase due to the presence of oxygenated components or for any other reason relating to the inherent nature of the petroleum products.

Where applicable, it is recommended that suppliers blend to the maximum Oxygenate levels for the first 3 cycles of the transition period to assist in retail tank conversions.

It is KMEP blending policy that ethanol blends less than 9 volume percent must be adjusted to account for ethanol denaturant (2.5%).

For Product Transfer Document purposes, all AZRBOB and CARBOB batches are accepted for transport and ultimate ethanol blending at a specific target percentage of the final blend. To recognize that absolute precision of blending equipment is unlikely in every case, it is implied and understood that the following ranges of oxygen satisfy the PTD oxygenate percentage requirement when the blending equipment is targeted at the percentage conveyed:

1.8-2.2 wt% oxygen	Permissible for 5.7 vol% ethanol
3.3-3.7 wt% oxygen	Permissible for 10.0 vol% ethanol