

KMCC SYSTEM PRORATION PROCEDURE

Effective 6/1/2020

This Proration Policy is intended to allocate space among all shippers desiring to ship petroleum Crude and Condensate at times when the aggregate monthly volume exceeds the capacity of the system.

When Nominations for any month exceed the capacity in any segment of the KMCC system, and that segment is placed on allocation, space shall be allocated among shippers in that segment by the following procedure:

1. Committed Volumes from Committed Shippers shall not be subject to allocation except in the event of force majeure or other operational disruption causing the total pipeline capacity to be less than the sum of the Committed Volumes from all Committed Shippers. In such a case, capacity on the KMCC system will be allocated to all Committed Shippers on a pro-rata basis according to the following formula:
$$\left(\frac{\text{Committed Shipper \#1 Committed Volume}}{\text{Total KMCC Committed Volumes}} \right) \times \text{KMCC pipeline capacity}.$$
2. Space Available Volume will be calculated by subtracting the Committed Volume from total pipeline capacity. In the event any Committed Shipper nominates less than their Committed Volume for the current month, the difference between their Committed Volume and their current month nomination will be added back to the Space Available Volumes to be allocated among uncommitted volumes.
3. The Space Available Volume will be allocated out to Uncommitted Nominations based on the Pro-Rata Allocation Percentage as determined by each shipper's applicable Uncommitted Nominations volume history.
4. Once all nominations for Committed Volumes and Uncommitted Nominations have been satisfied, if any Space Available Volume remains available, Flex Nominations will be allocated such capacity based on the Pro-Rata Allocation Percentage as determined by each shipper's applicable Flex Nomination volume history.
5. Allocated space of one shipper may not be assigned, conveyed, or used by another shipper during such time as these proration procedures are in effect.
6. If a shipper does not tender for shipment its confirmed allocated volume during any month in which the pipeline is pro-rated, the shipper will be invoiced and will be responsible for payment of any amount equal to the total allocated volume, less any volume actually shipped during the month, times the current tariff rate.

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“Committed Shipper” means a shipper who has entered into a multi-year binding transportation contract with Transporter requiring the shipper to ship, or pay for, minimum monthly volumes throughout the term of such contract, whether for a local or joint tariff movement. When a Committed Shipper’s binding transportation contract terminates and that shipper is no longer a Committed Shipper, the actual volumes received (up to the Committed Volumes as defined in the transportation contract) on each segment during the prior 12 month period will be added to the total Uncommitted Volume for that shipper when calculating the Pro-Rata Allocation Percentage in the event of allocation for that segment.

“Committed Volumes” means volumes that a Committed Shipper is obligated to transport on KMCC on a ship-or-pay basis. Committed Volumes are not subject to allocation except in the event of force majeure or other operational disruption causing the total pipeline capacity to be less than the sum of the Committed Volumes from all Committed Shippers.

“Flex Nomination” means a nomination on the Pipeline that qualifies for a movement under Local Proportional Rate for Flex Movements in KMCC Tariff No. 26.

“Pro-Rata Allocation Percentage” for each shipper is calculated as the total Uncommitted Volume receipts from each shipper in the prior 12 month period for that segment, divided by the total Uncommitted Volume receipts from all shippers during the prior 12 month period for that segment.

“Space Available Volume” means any pipeline capacity available for the shipment of Uncommitted Nominations during the current period, to be allocated among all shippers making such nominations on a pro-rata basis.

“Uncommitted Nomination” means a nomination by a Committed Shipper for volumes in excess of its Committed Volume or a nomination by an Uncommitted Shipper for Uncommitted Volumes, and in both cases which is not a Flex Nomination.

“Uncommitted Shipper” means any shipper on the Pipeline that has not signed a multi-year binding transportation contract with Pipeline requiring the shipper to ship, or pay for, minimum monthly volumes throughout the term of such contract (“T&D” or “TSA”).

“Uncommitted Volume” means volumes that are not required by contract to be shipped on the Pipeline on a ship-or-pay basis.

*Note that KMCC will maintain 10% of pipeline capacity for Uncommitted Shippers, subject to the nominations procedures above.