

Colonial Pipeline Company

Section Two Informational Topics

Colonial Pipeline Company

BATCH SIZE REQUIREMENTS

Colonial's current Rules and Regulations Tariff specifies the minimum batch size requirements for product lifting at origin locations, for liftings at Colonial's breakout tankage or junctions, and for deliveries into shipper designated facilities. These requirements apply to both fungible and segregated movements. In fungible movements, the total volume of all members moving in the fungible stream creates a joint batch.

Origin Requirements

Any batch moving on Colonial's mainlines must consist of a minimum of 75,000 barrels. Each member of a joint movement must provide a minimum of 25,000 barrels from any origin station, except that for origin points in Linden, New Jersey or New York, that minimum will be 15,000 barrels. The Scheduling Administrator for origins will notify a shipper if there is not enough volume in a joint batch to meet the minimum batch size requirements.

Delivery Requirements

The tariff specifies minimum batch volumes that may be delivered into specific Colonial tank farms, either as pass through volumes or as batch terminations. It also identifies delivery minimums for stublines and for local deliveries.

74 & 76 & 80 Grade

Diesel fuels, 74 grade (420 ppm highway), 76 grade (undyed 420 ppm non-road locomotive marine), and 80 grade containing less than 420 ppm of sulfur will be shipped as one fungible batch on Colonial's system. The only difference being Colonial will dye 80 grade prior to delivery. Shippers are required to provide a minimum of 25,000 barrels in order to be a member of a joint movement. The 25,000 barrel minimum can be made up of a combination of 74, 76 and 80 grade.

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BATCH SIZE REQUIREMENTS

Batch Size Requirements Through Colonial Tankage

The minimum batch sizes for joint or segregated batches pumped through Colonial tankage are shown below. Member batches that may make up these joint batches have a minimum of 5,000 barrels.

<u>Junction</u>	<u>Minimum Barrels</u>
Pelham.....	10,000
Atlanta.....	25,000
Greensboro.....	25,000
Mitchell.....	10,000
Woodbury.....	10,000
Aberdeen.....	10,000
Pennsauken.....	10,000
All Other Tank Farms.....	5,000

Termination of Batches

The termination or end point of a joint or segregated batch is restricted to the following locations and must meet the following size limitation.

<u>Line 1 and Line 2</u>	<u>Minimum Size</u>
Collins.....	25,000
Atlanta.....	25,000
Greensboro.....	25,000

<u>Line 3</u>	
Aberdeen.....	25,000
Booth.....	25,000
Woodbury.....	25,000
Linden.....	25,000

<u>Line 4</u>	
Mitchell.....	25,000
Fairfax.....	25,000
Dorsey.....	25,000

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BATCH SIZE REQUIREMENTS

Line 3 and Line 4 Minimum Lifting

The minimum size of a joint or segregated batch lifting out of Colonial's Greensboro Junction and going up Line 3 or Line 4 is 25,000 barrels (applied to each line individually). Each member batch must meet the minimum of 5,000 barrels.

Stubline Lifting

The minimum batch size for product lifting out of Colonial tankage into a stubline is 5,000 barrels.

BULLETINS

Bulletins are the primary method used by Colonial to communicate with the shipping community. The bulletin system is used to communicate line allocations, line activities affecting shippers, notification of office closings, lifting times, changes in product specifications and other important information. Bulletins are transmitted via e-mail through Transport4 (T4). T4 Contact information to set up an account to receive bulletin notifications is available at www.transport4.com or 888-844-9404.

CYCLES

Colonial's cycles are 5-day periods during which a sequence of all in-season products is pumped. Colonial pumps the same sequence of product every five days.

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NOMINATIONS – CHRONOLOGY OF EVENTS

Nominations

Shippers must enter nominations, which are essentially a request for space to ship petroleum products from an origin location to a destination location via Colonial Pipeline. Shippers should submit their nominations in accordance with the following nomination and Nomination Integrity Program rules to ensure that their nominations will be accepted and that any changes can be facilitated in time and without incurring additional fees.

In periods when line segments are allocated, nominations will be subject to the provisions of the Capacity Allocation Program outlined in this Shipper Manual.

Critical Time Periods

Initial Notification – The rules and regulations tariff specifies the due dates for nominations and nomination changes. First, the tariff requires that all shippers notify Colonial of the shippers' intent to ship barrels at least 30 days prior to a cycle lifting date. Shippers are encouraged to submit nominations for shipments that they wish to make in the following month, no later than the first Tuesday of the current month. This is accomplished by entering nominations in Transport4. This requirement provides Colonial with information to review and analyze to determine the requirements necessary to handle all shippers' products.

Closing Dates (Dateinfo) - A program is included in Colonial's computer system that provides the origin nomination due dates for fungible gasoline and distillate products. This due date refers to the date required for a batch to be nominated and confirmed by any third parties involved in the batch, such as a supplier or tankage provider other than the shipper. These dates are updated by DATEINFO bulletins posted on Transport4 and sent via e-mail through Transport4's bulletin push options.

If a date is not provided for a product that you plan to ship, contact the scheduling administrator for the appropriate due date.

Final Nomination Change Dates

Final Nomination Change Dates – Colonial will accept changes to nominations up until the points in time as detailed by the type and/or location of the nomination.

Origin Changes - A change in origin should be made as soon as the information of the change is known. Colonial has no obligation to honor a change in origin location unless

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NOMINATIONS – CHRONOLOGY OF EVENTS

it is received by 8:00 am Eastern Standard Time on Colonial's second business day prior to the scheduled pump date as listed in the Origin Starts bulletin.

Delivery or Diversion Changes - A change in delivery location on a nomination should be made as soon as the information of the change is known.

For deliveries to locations other than Linden, NJ, Colonial has no obligation to honor a change in delivery location or diversion unless the change is received before 8:00 a.m. Eastern Standard Time on Colonial's first business day prior to the day the batch is to be diverted or delivered. Changes made after this point in time will be subject to rejection.

For deliveries to Linden, NJ, Colonial has no obligation to honor a change in delivery location unless the change is received before 8:00 a.m. Eastern Standard Time three business days prior to the day the batch is to be diverted or delivered. Changes made after this point in time will be subject to rejection or, if a valid destination is not provided, a demurrage charge.

Undesignated Batches - The following policy statements describe the nomination procedures for unconfirmed ("XXX") batches, both on the origin and delivery nominations. We believe this policy helps to reduce the variability component of our scheduling process while maintaining a reasonable degree of flexibility. The "XXX" designation is intended to provide:

1. In the event Colonial "freezes" a cycle, while within the cycle, existing origin nominations designated "XXX" (supplier unconfirmed) for the "frozen" cycle will be eliminated from the nomination files, and will not preserve pipeline space for the nominating shipper.
2. For origin nominations, all "XXX" batches must have confirmed supplier(s) by the close of business on the cycle closing date for that origin as defined by the DATEINFO bulletin. "XXX" batches not confirmed prior to the time limit will be removed from the nominations and subsequent schedules.
3. For deliveries destined to Linden, "XXX" batches must have a valid and confirmed destination by 8:00 a.m. Eastern Standard Time three business days prior to scheduled delivery into Colonial tankage at Linden. If "XXX" nominations are not confirmed by the designated deadline, Colonial may elect to divert the product to a terminal of Colonial's choice and the shipper will be held responsible for all charges, including pipeline tariff and any fees charged by the terminal.

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NOMINATIONS – CHRONOLOGY OF EVENTS

4. No “XXX” nominations into or out of Woodbury or any other delivery location, except Linden, will be accepted.

NOMINATION INTEGRITY PROGRAM

The Nomination Integrity Program focuses on reducing nomination variability. A key component of the program is an origin nomination change fee structure. The fee structure is intended to serve as a deterrent to nomination behaviors that disrupt the shipping community and generate inefficiencies in Colonial’s pipeline operations. Nomination variability makes planning for operations difficult and places five day origin lifting frequency at risk. The Nomination Integrity Program is applied during periods when Colonial assets are not under allocation.

Origin Nomination Change Fee Structure (See Example Below)

- (1) There are two *Change Fee Periods* within each cycle’s nomination window. Changes to total nomination volume are permitted, however, if they exceed a certain threshold, they shall incur a fee.
- (2) Change fees shall apply to changes in the sum of the volumes nominated for all gasoline products at all Gulf Coast Origin (GCO) locations, and likewise for changes in the sum of the volumes nominated for all distillate products at all GCO locations. Gulf Coast origin locations include: Houston and Hebert, Texas, Lake Charles, Krotz Springs, Baton Rouge and Baton Rouge Dock Facility, Louisiana, Collins, Mississippi, and Moundville Alabama.

- (3) Period Definitions:

Change Fee Period 1 – Commences on each *Change Fee Begin Date* and ends on each *Cycle Begin Date*.

Change Fee Period 2 – Commences on each *Cycle Begin Date* and ends on each *Cycle End Date*.

Where,

Change Fee Begin Date – The date 5 days prior to the *Cycle Begin Date*.

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NOMINATION INTEGRITY PROGRAM

Cycle Begin Date – The *Cycle Begin Date* is defined as the published lifting date out of Houston of the first Petroleum Product Shipment within a cycle as defined in Colonial's Origin Starts bulletin. The dates in the bulletin represent a close approximation of the targeted lifting date.

Cycle End Date – The date of the completion of the last gasoline or distillate lifting from any Gulf Coast origin location within a cycle.

Change Fee Calculation:

For each *Change Fee Period*, the total nominations changes are calculated as follows. Colonial compares the difference between the sum of gasoline nomination volumes for all gulf coast origins at the end of the last day of the change fee period and the sum of gasoline nominations volumes for all GCO at the end of the 1st day of the change fee period. This difference is the total nomination change for that period within that cycle. This same calculation process applies to distillate products as well.

Nomination change fees shall be applied to nomination changes less the greater of twenty five thousand (25,000) barrels or twenty (20) percent of the nomination volume recorded on the first day of each *Change Fee Period*. Nomination change fees shall be assessed as follows:

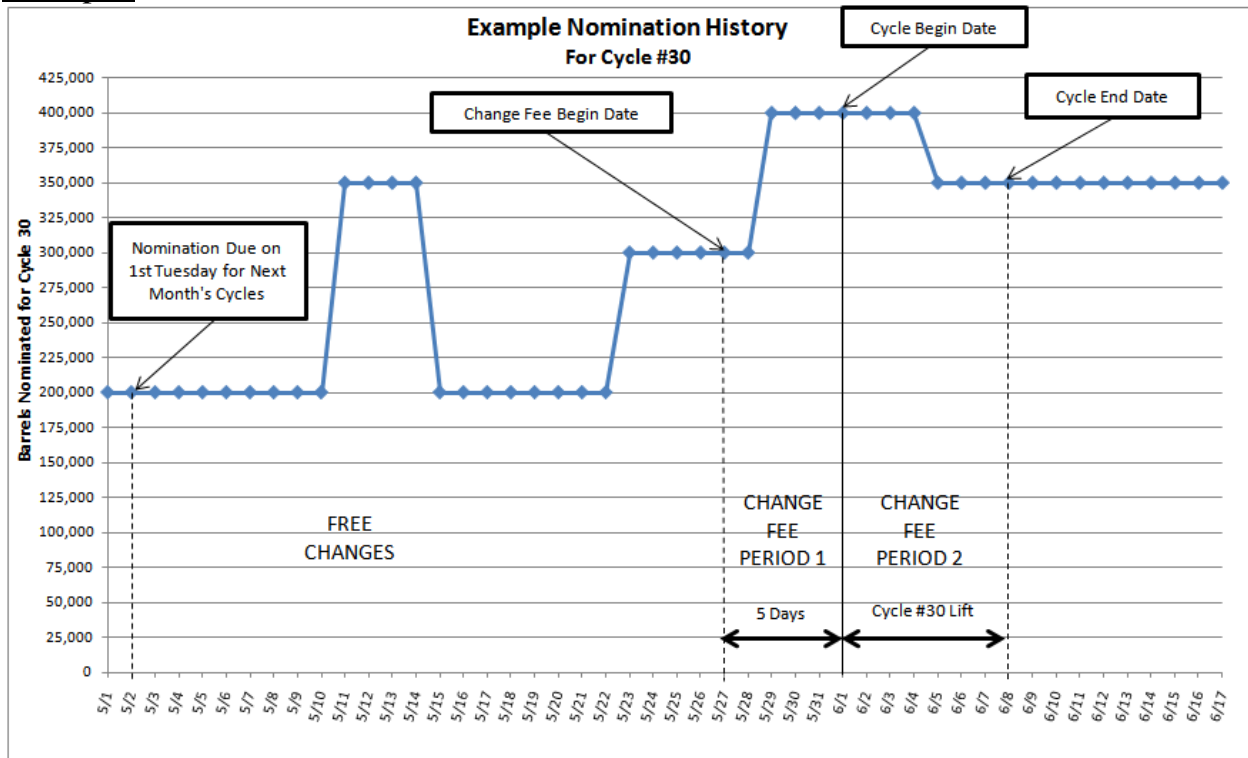
- (a) One and a half (1.5) cents per barrel for *Change Fee Period 1*; and
- (b) Three (3) cents per barrel for *Change Fee Period 2*.

In the example depicted below, a shipper nominated 200,000 barrels of distillate for Cycle 30 on May 2nd. The shipper made several changes before May 27th without incurring a change fee. After *Change Fee Period 1* commenced, the shipper changed their nomination from 300,000 barrels to 400,000 barrels on May 30th. After *Change Fee Period 2* commenced, the shipper changed their nomination on June 5th, from 400,000 barrels to 350,000 barrels. This was the last change this shipper made.

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Example:



These nomination changes would have incurred the following change fees:

Period 1: *Change Fee Begin Date* Nomination = 300,000 bbls
 Cycle Begin Date Nomination = 400,000 bbls
 Gross Nomination Change = 400,000 – 300,000 = 100,000 bbls
 Threshold = 0.20 X 300,000 = 60,000 bbls (greater than 25,000 bbls)
 Change Above Threshold = 100,000 – 60,000 = 40,000 bbls
 Change Fee = 40,000 bbls X \$0.015/bbl = \$600

Period 2: *Cycle Begin Date* Nomination = 400,000 bbls
 Cycle End Date Nomination = 350,000 bbls
 Gross Nomination Change = 400,000 – 350,000 = 50,000 bbls
 Threshold = 0.20 X 400,000 = 80,000 bbls (greater than 25,000 bbls)
 Change Above Threshold = 0 bbls
 Change Fee = 0 bbls X \$0.03/bbl = \$0

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NOMINATION INTEGRITY PROGRAM

Waivers

All nomination change fees that would otherwise be assessed within an affected cycle shall not be assessed in the event that Colonial:

- (1) Allocates shipments; or
- (2) Disrupts shipping schedules to accommodate unplanned system maintenance; or
- (3) Disrupts shipping schedules in response to delays caused by acts of God, public enemy, quarantine, authority of law, governmental action, strikes, riots, nuclear or atomic explosions, or floods.

Credits

Volume credits shall be awarded to shippers for volume changes made to existing shipper nominations which satisfy Colonial's requests for the purposes of maintaining or improving system ratatability. Volume credits accrued shall be applied to subsequent barrels that would otherwise be subject to the nomination change fees until they are exhausted.

There shall be no monies exchanged for credits.

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CAPACITY ALLOCATION PROGRAM (CAP)

Colonial's Capacity Allocation Program (CAP), is designed to improve operations planning and maximize product movement through Colonial's system by ensuring nominated volumes are moved during allocated cycles. The CAP helps line segments run at or near capacity when allocated by providing a mechanism to allocate potential unused line space fairly among shippers who want to ship volumes in excess of their historical allocation levels. **For mainlines 01 and 02 only**, Colonial will issue a CAP charge to shippers who make nominations and then do not utilize their committed capacity.

Shippers are able to view their nominations and relevant CAP information via Transport4 (T4). Colonial users of T4 can access CAP due dates, volumes, history and related fees from the T4 Nomination Menu.

Definitions:

Initial Nomination – The nomination recorded at the time the Allocation Notice bulletin is posted notifying shippers that a mainline is being allocated.

Minimum Nomination – The lesser of, 80% of the *Initial Nomination* or the *Initial Nomination* less 25,000 barrels.

Allocation – A historical volume for each shipper based on the proportion of line space they utilized the previous twelve months.

Binding Request – The nomination for volume a shipper is willing to commit to ship that is submitted within two business days after the Allocation Notice bulletin is posted.

Committed Nomination – Nomination level to which the shipper is committed to ship. The Committed Nomination is determined according to the shipper's Binding Request, Allocation level, the distribution of available line capacity and the adjustment of Binding Requests.

Threshold Volume – A calculated percentage (95%) of the Committed Nomination that shippers must transport in order to avoid a Capacity Allocation Fee.

Final Ticketed Volume – Shipper's final mainline volume being transported for delivery to Colonial destinations north and east of Collins.

CAP Difference – Threshold Volume less Final Ticketed Volume.

CAP Charge – Applies to mainlines 01 and 02 only: A fee assessed to shippers for not utilizing committed line capacity. The fee is determined by subtracting the Final Ticketed Volume from the Threshold Volume and multiplying any positive value by the designated tariff rate, as published in the Rules and Regulations Tariff, Item 29.

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CAPACITY ALLOCATION PROGRAM (CAP)

Cycle Closing Date – The first closing date listed for the first product of a given Cycle as provided in the Dateinfo Bulletin.

The following is a description of the CAP structure lines under an allocation:

1. If the total volume of the *Initial Nominations* on an effected line segment exceeds the line's capacity, Colonial will issue an *Allocation Notice* bulletin via T4 four business days prior to the Cycle Closing Date for Lines 01, 02, 03 and 04, two business days prior to the Cycle Closing Date for all stublines upstream of Greensboro, NC and three business days prior to the cycle arriving in Greensboro, NC for all stublines downstream of Greensboro, NC. The notice will requests shippers to confirm or re-submit nominations within two business days for Lines 01, 02, 03 and 04 and one business day for all other lines. The confirmation or resubmission of nominations is referred to as a *Binding Request*. **For mainlines 01 and 02 only**, it is recommended that the *Binding Request* be no less than the *Minimum Nomination*. Any *Binding Request* less than the *Minimum Nomination* is subject to adjustment up to the *Minimum Nomination* level as described in item 3 below.
2. To determine if available pipeline capacity exists, Colonial will first allocate space to each shipper based on the lesser of their historical allocation volume or their *Binding Request*. If pipeline capacity exists after this allocation process, it will be divided proportionately among shippers whose *Binding Requests* for space exceed their historical allocation.
3. **For mainlines 01 and 02 only**, if available pipeline capacity remains after all *Binding Requests* for capacity in excess of a shipper's historical allocation have been satisfied, the unused pipeline capacity will be proportionately allocated among shippers whose *Binding Requests* for space were less than their *Minimum Nomination* at the time Colonial issued the *Allocation Notice* bulletin.
4. As described in items 2 and 3 above, the CAP allocates available pipeline capacity to shippers based on the *Binding Requests* received from all shippers. Each shipper's *Binding Request* is subject to adjustment (increased or decreased) based on the total of all shippers' *Binding Requests* received by Colonial. The adjusted *Binding Request*, including any necessary adjustments up to the level equal to the *Minimum Nomination*, is called a *Committed Nomination* and will be published on T4 for each shipper to review prior to the Final Scheduling Date.

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CAPACITY ALLOCATION PROGRAM (CAP)

Items 5. and 6. Apply to Mainlines 01 and 02 Only

5. The *Committed Nomination* is used to calculate a *CAP Threshold Volume*, which is equal to 95% of the *Committed Nomination*. The *Threshold Volume* is the volume a shipper is expected to move through the pipeline.

6. The CAP compares the *Final Ticketed Volume* to the *Threshold Volume*. When the shipper moves less than the *Threshold Volume*, they are subject to a *Capacity Allocation Fee* calculated using a designated tariff rate. The designated tariff rate is published in the rules and regulations tariff and is subject to adjustment.
 - *Final Ticketed Volume* > *Threshold Volume*, no *Capacity Allocation Fee*
 - *Final Ticketed Volume* < *Threshold Volume*, a *Capacity Allocation Fee* will be calculated from the difference and charged to the shipper on their fourth invoice period of the subject month.

Final Ticketed Volume transported in the affected line segment during an allocated cycle to Colonial destinations north and east of Collins, Mississippi. More information concerning the CAP is available in Colonial's Rules and Regulations Tariff.

Waivers – CAP charges shall not be assessed in the event:

- Shipping schedules are disrupted to accommodate unplanned Colonial system maintenance
- Shipping schedules are disrupted in response to delays caused by acts of God, public enemy, quarantine, authority of law, governmental action, strikes, riots, nuclear or atomic explosions, or floods.

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CAPACITY ALLOCATION PROGRAM TIMELINE

Cycle Breakdown of CAP Events Lines 01, 02, 03 and 04:

Time Period <i>(all days are in Business Days)</i>	Colonial's CAP Program	Shipper
1 st Tuesday of every month		Initial nominations due for the following month.
4 business days prior to cycle closing date	<ol style="list-style-type: none"> 1. When it is determined that a line is to be allocated, a bulletin will be issued 2. Record existing nomination as the Initial Nomination 3. Calculate Minimum Nomination 4. Calculate Shipper Allocation 	Shippers view in T4: <ul style="list-style-type: none"> • Initial Nomination • Minimum Nomination • (Historical) Allocation Shippers have two (2) business days to adjust nominations, if desired.
2 business days prior to cycle closing date		Shipper submits any desired revised nomination, as a "Binding Request" by 23:59.
1 business day prior to cycle closing date	<ol style="list-style-type: none"> 5. Adjust Binding Requests by assigning available capacity, if any. 6. Calculate Committed Nomination 7. Calculate Threshold Volumes. 	Shippers view in T4: <ul style="list-style-type: none"> • Binding Request • Committed Nomination • Threshold Volume
Cycle Closing Date	Nomination changes no longer accepted.	
<u>Lines 01 and 02 Only</u>		
On or after Cycle Lifting Date (approx. 4 days after closing)	Tickets cut. System determines if ticketed volumes are less than threshold volume. If so, the system will calculate a CAP fee.	Shippers view in T4: <ul style="list-style-type: none"> • Final Volume • CAP fee
4 th Invoice Period		Shippers are billed CAP fees for the entire month.

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CAPACITY ALLOCATION PROGRAM TIMELINE

Cycle Breakdown of CAP Events for All Stublines Upstream of Greensboro, NC:

Time Period <i>(all days are in Business Days)</i>	Colonial's CAP Program	Shipper
1 st Tuesday of every month		Initial nominations due for the following month.
2 business days prior to cycle closing date	<ol style="list-style-type: none"> 1. When it is determined that a line is to be allocated, a bulletin will be issued 2. Record existing nomination as the Initial Nomination 3. Calculate Shipper Allocation 	Shippers view in T4: <ul style="list-style-type: none"> • Initial Nomination • (Historical) Allocation Shipper submits any desired revised nomination, as a "Binding Request" by 23:59.
1 business day prior to cycle closing date	<ol style="list-style-type: none"> 4. Adjust Binding Requests by assigning available capacity, if any. 5. Calculate Committed Nomination 	Shippers view in T4: <ul style="list-style-type: none"> • Binding Request • Committed Nomination
Cycle Closing Date	Nomination increases no longer accepted.	

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CAPACITY ALLOCATION PROGRAM TIMELINE

Cycle Breakdown of CAP Events for All Stublines Downstream of Greensboro, NC:

Time Period <i>(all days are in Business Days)</i>	Colonial's CAP Program	Shipper
1 st Tuesday of every month		Initial nominations due for the following month.
3 business days prior to cycle arrival into Greensboro, NC	<ol style="list-style-type: none"> 1. When it is determined that a line is to be allocated, a bulletin will be issued 2. Record existing nomination as the Initial Nomination 3. Calculate Shipper Allocation 	Shippers view in T4: <ul style="list-style-type: none"> • Initial Nomination • (Historical) Allocation Shipper submits any desired revised nomination, as a "Binding Request" by 23:59.
2 business day prior to cycle arrival into Greensboro, NC	<ol style="list-style-type: none"> 4. Adjust Binding Requests by assigning available capacity, if any. 5. Calculate Committed Nomination 	Shippers view in T4: <ul style="list-style-type: none"> • Binding Request • Committed Nomination
Cycle Closing Date	Nomination increases no longer accepted.	

CAP FREEZE – Lines 01 and 02 Only

In the event nominations rise above pipeline capacity prior to the Cycle Closing Date, but less than four business days prior to the Cycle Closing Date, Colonial will issue a *Cap Freeze Notice* via T4.

Following a *Cap Freeze Notice*, each shipper will have one business day to confirm or resubmit nominations. This confirmation or resubmission will become the *Binding Request* as defined by the existing CAP. No *Binding Request* can be greater than the level of the nomination at the time of the *Cap Freeze Notice* nor will any *Binding Request* be allowed that is less than the *Minimum Nomination* at the time of the *Cap Freeze Notice*. Any submitted *Binding Request* that is less than the *Minimum Nomination* will be adjusted up to the *Minimum Nomination* level and be deemed a *Committed Nomination* and subject to the CAP rules for Committed Nominations

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LINE FREEZE – All Lines

From time to time, Colonial may find it necessary to close and lock nominations on a certain line segment to assure sufficient capacity exists to process existing nominations for that period for the affected line segment. This process is called a freeze or freezing the line and a *Freeze Notice* will be issued via T4. During a line freeze, Colonial will allocate space on the affected segment(s) to shippers with existing, valid nominations for that line segment.

SHORT TERM TANK LEASING

If a shipper is not able to take all nominated product into tankage on a given cycle, Colonial will work with the shipper to keep the line running and help the shipper avoid demurrage charges. If Colonial has space available, it may be offered in the form of a short-term (5-day) lease. This is not a guaranteed option and will be made available only when Colonial tankage is able to facilitate the additional volume.. During the 5-day lease the product will be held by Colonial and the shipper will be expected to make the needed arrangements to receive the product when it is pumped.

A standard contract is used for all short term tank leases. The Colonial Scheduler / Lease Coordinator issues the contract to be signed and returned via fax. Due to the rapid timing of execution of a 5-day lease it is imperative that the contract be signed and returned as soon as possible.

The rates for short term tank leases are \$2000 per 5000 barrels stored. A price table is listed below; rates are non-negotiable. All tank leases are for 5 days; any request for leased space longer than 5 days will be negotiated as a long term contract and will also be subject to space availability.

Quantity	Price
Up to 5000 bbl	\$2,000
5001 to 10000 bbl	\$4,000
10001 to 15000 bbl	\$6,000
15001 to 20000 bbl	\$8,000
20001 to 25000 bbl	\$10,000
25001 to 30000 bbl	\$12,000
30001 to 35000 bbl	\$14,000

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NOMINATION DESCRIPTION

This section contains instructions for setting up nominations and nomination changes for entry via T4. The initial nominations must be made in sufficient time to meet the cycle due dates as described in the section titled “Schedule Calendar.” (pg. 2-20)

Batch Coding

A batch consists of 10 characters as described below:

SSS-PP-CCN

SSS	3 Character Shipper Code	Available on T4
PP	2 Character Product Code	Section 3, Product Specifications
CC	2 Character Cycle Number	01-72 See Schedule Calendar
N	Batch Number within Cycle – Selected by the Shipper	
	1 to 7	
	8 and 9 are reserved for special uses by Colonial.	

In addition to the basic batch code used for identification, the following information may also be used with the code:

Supplier	A three-character code (which must be a Colonial shipper or supplier) designating the company supplying the batch at an origin location. Colonial provides the supplier batch schedules and ticket information relating to the part of the batch that they are supplying. Suppliers must confirm batches that they are supplying others by confirming the batch in T4, unless the tankage party for the batch is different from the supplier.
Consignee	A three-character code (which must be a valid Colonial shipper or consignee) designating the party to whom custody of the batch is delivered. Colonial provides schedule and ticket information to the consignee related to the part of the batch they are receiving. Certain states require Colonial to report consignees of batches and the volumes delivered monthly.
Tankage	A three-character code which must be a valid tankage provider connected to Colonial. Colonial provides schedule and ticket information to the tankage company related to the batch they are tanking. At origin locations, a tankage provider must confirm that tankage will be provided for a batch using T4 confirmations.

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NOMINATION DESCRIPTION

Other Codes (added only by Colonial scheduling personnel).

Occasionally batches are long or short of volume due to operational factors. The codes below are used to handle volume shortages or surpluses.

- 003 Surplus product pumped from tankage on all lines
- VST Product shortage (volume short in tankage)
- FGL This code indicates that a shortage of a batch has occurred on a line during pipeline operations or represents a planned adjustment for intransit volume loss.
- FCG This code indicates an intransit gain of product on a line.

Shippers Product held in Colonial Tankage

Occasionally it will be necessary for product to remain in Colonial's tankage for a few days to be shipped out with the next cycle or separated to another code. The following codes will be used to hold and release this product.

- HOD Product to be held from delivery at a breakout location (entered by Colonial Scheduler only).
- 001 Product of the shipper that was put in hold in Colonial's tankage and is being lifted at a later date with a different cycle designation.

SCHEDULE CALENDAR

Nominations for space are due the first Tuesday of the month prior to the month in which product is scheduled to be lifted.

Cycle closing dates are modified based on the actual pipeline schedule and are targeted to be set four days prior to the lifting of the cycle out of Houston. The actual cycle closing dates are set three weeks in advance and are communicated to shippers via the DATEINFO bulletin through T4.

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NEW SHIPPER DEFINITION

Colonial Pipeline Company defines a new shipper by individual line segments based on the following criteria:

1. A new shipper is any shipper that has not shipped on a given line segment in the past.
2. Shippers that go for a period of greater than 12 months without making any shipments on the system are eligible to reapply for new shipper status.
3. Shippers that stop shipping on an individual line segment for more than 12 months but that continue to ship on other portions of the system during that time are not eligible for new shipper status.

Any shipper that is granted new shipper status is eligible to receive allocated space for the 12 months that they will be considered “new shippers” as outlined in Colonial’s Allocation Policy.

SCHEDULING PROCESS

The Scheduling and Shipper Support Team prepares schedules for most of the lines on Colonial’s system. The available schedules provide detailed information about the date, time, and volume of deliveries. There are two parts to a schedule that is produced by schedulers, the operating schedule and the long-range schedule.

Operating Schedule

The first part of the schedule is the operating schedule. The operating schedule is a projection of the date and times of events four to ten days into the future. This part of the schedule has been reviewed in detail by the scheduler in the preparation of a quality pipeline operation, given various product grades and pipeline operations occurring during a particular period of time.

Long Range Schedule

The second part of the schedule is the long-range schedule, which is produced by Colonial’s computer system. It starts at the end of the operating schedule and extends to thirty days from the current date. Events in the long-range schedule are reviewed by the computer and assigned dates and times based on the sequence of products established by the scheduler. These dates and times are approximate times and can vary depending on future events in the schedule. These times may vary by one or two days but provide a good estimate for future events.

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SCHEDULING PROCESS

Updating of Schedules

All main lines are normally updated daily. If there is a dramatic change of dates and times in the operating schedule, then a schedule will be updated as soon as possible.

Scheduling Process

Colonial's scheduling process begins every business day at 7:15 a.m. Eastern Time ET until 4:00 p.m. ET. When schedulers arrive in the morning, nomination changes that were entered after hours the previous business day are reviewed. The schedulers also review the operations of the pipeline that have occurred during the night. After the new schedule is prepared, the schedule information in the computer is updated for the shippers and Colonial's field personnel to review.

If a nomination is changed on a pipeline after the process of assigning dates and times to each batch has begun, the change will not be in the new schedule. Instead, it will appear on the next schedule update. Therefore, a change to a nomination can be made one morning and not be in the schedule that is produced that day.

Every hour throughout the day, schedulers review nomination changes to ensure that Colonial is able to handle the changes. Most changes are made without difficulty. Colonial's system allows flexibility for shippers to make changes to nominations based on the shipper's needs. Occasionally, a change is made that Colonial cannot handle for various reasons, such as a batch having already passed a junction or diversion point. When this occurs, the shipper is notified and the nomination is changed back to its original form.

Colonial's goal is to provide shippers and terminals with lifting and delivering times that are reliable. The people that work in the field for shipper companies must make arrangements to supply and receive product based on the times provided by Colonial. As a result, it is necessary for Colonial to put a deadline on when changes can be made. These deadlines are discussed under the topic NOMINATION DUE DATES.

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PRODUCT DELIVERIES

Safe Delivery of Petroleum Product: Colonial will not initiate delivery of the shipper's nominated product until such time as the terminal operator provides notice to Colonial of a clear path. An operator's indication of a clear path shall serve as notice that the facility is currently prepared, without disruption to pipeline operations, to accept the entire nominated volume, regardless of the Colonial flow rate.

Nominated volumes will not exceed the terminal's available capacity to receive said volume into one or more tanks. Terminal operators may make tank switches during a delivery; provided, however, Colonial shall have no obligation to adjust the pipeline flow rate or to provide flow rate changes to accommodate a tank switch.

TARIFF

Colonial is a common carrier that is regulated by the Federal Energy Regulatory Commission (FERC). As a common carrier, Colonial publishes tariffs which are filed with the FERC, covering its rules and regulations and transportation charges. Colonial's current Rules and Regulations Tariff along with all Supplements, specify the rules governing shipping on Colonial's system. The current rates tariff specifies the transportation charges that will be applied to product movements. The tariffs are included in Section 4 of this manual.

Updated tariffs are always available on our website at www.colpipe.com or through the FERC.

Rates

The current rate tariffs are listed in the Tariff Section of this Manual. The rates are listed in cents per barrel from an origin point to a destination area. Several of these "areas" will cover more than one of the specifically designated locations found in Colonial's location codes as used for scheduling purposes. The scheduling locations are more narrowly defined than a tariff location. For example, the Linden rate tariff covers all deliveries out of Colonial's Linden Junction tank farm.

Product Loss Charge

The Rules and Regulations Tariff provides for a product loss charge to apply to all barrels shipped on Colonial. Shippers will be notified of changes to this charge via the bulletin system. This amount is based on losses incurred by Colonial during its normal pipeline operations, which result from product degradation and product loss. The amount of the product loss charge is included in Invoicing Information, Section 7 of this manual.

Colonial Pipeline Company

TICKETS

Colonial issues tickets, via Transport4. Tickets are generated and issued by Transport4 in real time, in a variety of modes to include: fax, e-mail, XML, and on demand via the internet. Colonial furnishes tickets only to the three parties on an origin or delivery ticket. These three parties are the shipper, the supplier or consignee, and the tankage provider supplying or receiving the product. Any other party wishing to have this ticket information must get it through one of the three parties listed on the ticket or receive access to view it on T4 by one of the parties listed on the ticket. Tickets sent electronically are normally processed around 4 a.m. Eastern Time daily, including weekends and holidays.

Please contact the Product Inventory Coordinator or Transport 4 for re-transmission of missing, misplaced or old tickets. Users of the on-line Transport4 internet system should note that invalidated tickets are available for viewing in real time as they occur.

Custody tickets are faxed, upon request, to shipper origin/destination terminals or tankage locations immediately following the ticket transaction (real-time). These tickets, when faxed, are invalidated, but, nonetheless, are desirable to many of our customers in the local operations environment. If, as a terminal manager or tankage provider you wish to receive your tickets on a real-time basis, they are available via e-mail through T4, to initiate set-up contact Transport4's help desk either through their web site at www.transport4.com or call 888-844-9404. To receive tickets via facsimile, please contact one of the parties listed below.

Faxing

Only one fax number will be used to send tickets. Any changes or problems should be directed to:

Primary Contact:	Frank Schmidt-800/275-3004 ext. 2279 or 678/762-2279
Secondary Contact:	Stephanie Williams-800/275-3004 ext. 2447 or 678/762-2447
Tertiary Contact:	Control Center Operations Manager-877-560-2263 or 678/762-2263

Flow Weighted Average Ticket:	A ticket for which the volume is measured by one to four meters and for which gravity, temperature, and pressure are measured multiple times during the delivery, denoted as FWA.
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Colonial Pipeline Company

TICKETS

Meter Ticket: A ticket for which the volume is measured by one to four meters and for which the gravity, temperature, and pressure are observed by an operator during the delivery. A correction factor distribution percentage is determined for each meter associated with the delivery to determine the distributed meter correction factor.

The following is a description of ticket information as displayed on T4 tickets:

Custody Transfer Information

Type:

- 10 – RECEIPT – CUSTODY (into tanks)
- 11 – RECEIPT – CUSTODY (into line)
- 16 – RECEIPT – CUSTODY (out of tanks – credit)
- 12 – RECEIPT – GATHERING LOCATION
- 21 – DELIVERY – CUSTODY (from line)
- 22 – DELIVERY – CUSTODY (from tanks)
- 24 – TRANSMIX DELIVERY (out of tanks)
- 31 – DELIVERY CREDIT (from line)
- 32 – DELIVERY CREDIT (from tanks)

Location: Alphanumeric Colonial name for the origin or delivery location.

Location Number: Colonial numeric location designation.

Line Segment: Colonial numeric designation of the mainline or stubline where the custody transfer occurred.

Line Description: Name of Colonial facilities from which the batch originated and terminated on the line segment.

Partner Information

Carrier: CPL - Colonial Pipeline Company
P.O. Box 1624
Alpharetta, GA 30009

Shipper: Name and address of company shipping the batch.

Tankage: Any company providing tankage for all or part of the batch.

Colonial Pipeline Company

TICKETS

Supplier: Any company supplying all or part of the batch.

Consignee: Any company receiving all or part of the batch.

Ticket Details

Ticket #: Number of ticket – up to four digits and possibly an alpha character. An alpha character is used to indicate changes to the original ticket.

Batch Code: The 11 character Colonial batch number.

Ticket Date: The date and time the ticket was prepared. If original ticket, same as Created Date and Time. If an adjustment ticket, then the date and time the adjustment ticket is prepared.

Start Date: The date and time the origination or delivery is started or a new ticket is started.

Stop Date: The date and time origination or delivery is completed or a ticket switch is made.

Process Date: The date the ticket is accepted by Colonial Pipeline Company mainframe.

Created Date: The date and time the ticket was originally prepared or changed.

Comment: Batch or ticket specific detail and explanation of any revisions.

Product Information

Product Code: The two character Colonial product code as listed in Section 3, Product Specifications.

Description: Short descriptive of product.

Net Volume: The net barrels received or delivered.

Net Gallons: The net barrels received or delivered converted to gallons.

Colonial Pipeline Company

TICKETS

Gross Volume: The total meter counts of all meters used during the receipt or delivery covered by this ticket. No corrections factors or water deduction made.

Measures Information

Open Date: Same as Start Date.

Close Date: Same as Stop Date.

Obs Gravity: The observed API gravity – For FWA tickets this will be the same as the Cor Gravity.

Obs Temp: The temperature at which the API gravity was made – For FWA tickets this will always be 60.

Cor Gravity: API gravity correct to 60 degrees F.

Avg Temp: Average temperature of the product during the receipt or delivery.

Avg Pressure: Average meter pressure during the receipt or delivery.

Avg Flow Rate: Average flow rate during the receipt or delivery, currently not utilized and left blank.

Temp Correct: Calculated API temperature correction factor.

Pres Correct: Calculated API pressure correction factor.

Composite Fact: Resulting factor of multiplying distributed meter factor, temperature correction factor and pressure correction factor – available only for non FWA tickets.

Distr Meter Fact: Composite factor of all meters used for the batch delivery or receipt.

Colonial Pipeline Company

TICKETS

Meter Information

Meter #:	The designated meter number for all meters utilized during the delivery or receipt. The meter number for FWA tickets will always be 1.
Barrels:	This field is not currently active, will always be blank.
Prover Report:	The number of the last prover report for each meter, this will always be zero for FWA ticket.
Meter Factor:	The meter factor from the prover report for the meter, this will always be the same as the Distr Meter Fact for FWA tickets.
Distribution %:	The percentage of the products, which went through each meter used, will always be 100 for FWA tickets.

Statements

EPA Information specific to the product being delivered or received.

OTHER TRANSPORTATION SERVICES

The following services are offered to our shipping community as non-FERC jurisdictional services. A description of these services is provided below.

Intransit Storage

We currently offer tank space at Colonial owned or leased facilities along the Colonial System. This tankage is intended for the intransit storage of products moving via Colonial from upstream origin facilities to downstream destinations. Tank space is awarded through an equal bidding process whereby Colonial Pipeline Company advertises space available and accepts competitive bids from our shipping community. Availability is based upon location, volume, product, and duration. Charges for intransit storage service are based on the conditions of the contracted agreement. Please note that any “operational tankage” is subject to changing conditions throughout the year. Therefore, all contracts will contain a clause whereby Colonial Pipeline Company will reserve the right to cancel or adjust the terms with sufficient notice. For questions regarding leasing of tank space, please contact Shane Brock (678)762-2345.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Segregated Batches of Specialty Products

Segregated batches require dedicated assets and special handling and can have the effect of reducing the total capacity of the pipeline. Therefore, shippers seeking to move segregated batches may be required to enter into term dedicated asset agreements with Colonial. Space for segregated movements is made available based on a minimum quantity of 75,000 barrels per movement.

Final approval for shipment of a specialty product must be granted by Colonial and is subject to review by Quality Assurance. All products must meet established specifications unless otherwise approved by Colonial and shipment of certain products may require additional provisions to ensure that the quality of adjacent batches is maintained.

In Line Product Title Transfers

Through the Inline Product Title Transfer (IPTT) service, Colonial provides and supports the transfer of product ownership within its intransit storage facilities at Baton Rouge, Louisiana and Collins, Mississippi, thus allowing shippers to “source” product batches out of these facilities. Our nominations, ticketing, inventory and invoicing processes each support this service. The IPTT service provides our shippers the option of transferring all obligations associated with being the shipper of a batch to another shipper while the subject product volume remains within Colonial’s custody. The “Product Title Transfer Ticket” which documents the transaction serves to close the product title transfer process between Colonial shippers and terminates the selling shipper’s obligation to Colonial as a shipper beyond that point.

The charge for this service is assessed on a per barrel basis to the seller of the volumes to be transferred (minimum 25,000 barrel transfers). The current IPTT charge rate can be found in the Schedule of Services and Fees at the end of this manual. All transactions will be processed on a monthly basis.

If you have questions concerning how this process works please contact customer relations.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Downstream Product Title Transfers (DPTT)

Colonial provides a service that facilitates and documents the transfer of product title within its intransit storage facilities downstream of Collins, MS. The DPTT service is available only to Colonial Shippers and is subject to Colonial's approval. The *Product Title Transfer Ticket* that documents the transaction serves to close the product title transfer process between Colonial shippers.

Origin/Destination Restrictions:

DPTT's are **only available for volumes originating at Collins, MS and points upstream for delivery to Colonial's Pelham Junction and points downstream.**

The charge for the DPTT service is assessed on a per barrel basis to the current title holder for the volumes to be transferred. The current DPTT charge rate can be found in the Schedule of Services and Fees at the end of this manual. All transactions will be processed on a monthly basis.

Assignment of Charges (Tariff, DPTT fee, etc.) and Line History

Collins, MS will be used as a 'virtual' point of transfer regardless of physical location of barrels. The tariff will be divided between the current and proposed title holder as if the DPTT had occurred at Collins. Please see the chart below for a summary of charges and line history assignment.

	Current Title Holder	Proposed (New) Title Holder
Tariff		
Origin to Collins, MS Tariff Differential (not Short Haul Tariff)	X	
Collins, MS to Final Destination Tariff		X
Surcharges Assessed at Delivery (see Shipper Manual for current list)		X
DPTT Charges	X	
Line History		
Colonial's Mainlines 1 and 2	X	
Mainlines 3 and 4, if applicable		X
Stublines/Delivery lines		X

If you have any questions concerning how this process works please contact Customer Relations.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Red Dye Injection

Colonial only accepts fuel oil at the origin that is dyed according to EPA regulations (visibly present) and not above a red dye concentration limit of 0.75 pounds per thousand barrels of solid dye standard Solvent Red 26. This policy was created in an effort to alleviate the significant product downgrading, dye dilution, and kerosene contamination that previous high dye concentrations caused within Colonial's main lines and tank farms.

Fuel oil liftings out of the origin should be nominated with either a 70 series or 80 series product code, depending on the shipper's desired dye quantity upon delivery by Colonial. Colonial will dye the 80 series products to a minimum IRS dye concentration level prior to delivery, while Colonial will not dye the 70 series products. At the following junction facilities, dye will be injected into 80 & 88 grade batches as product is outgoing from breakout tankage into stub lines or local delivery lines destined for terminal delivery. At the following delivery facilities, dye injection will occur as batches of 80 & 88 grade are delivered off our mainline system.

Junction Facilities			Delivery Facilities		
Pelham	Atlanta	Belton	Athens	Spartanburg	Charlotte
Greensboro	Mitchell	Dorsey	Fairfax	Booth	Pennsauken
Aberdeen	Woodbury	Linden	Booth	Trenton	

Shipper batch size minimums on the main lines (Lines 2, 3, and 4) apply to the combined 74, 76 and 80 grade nomination total; stub line minimums apply to 74, 76 and 80 grade batches independent of one another.

Requests for product code changes to/from an 80 series while product is in transit must be received by Colonial's schedulers 24 hours in advance of the batch arriving into breakout tankage, or 24 hours prior to delivery at Athens, Fairfax, Booth or Trenton. These times for each batch may be checked via the Schedule feature of the Shipper Information System.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Baton Rouge Barge Dock

Background & Summary

Colonial Pipeline Company offers a service connection to a third party Barge Dock Facility owned and operated by TransMontaigne Terminalling, Inc. located on the Mississippi River in Baton Rouge, Louisiana. The Barge Dock Facility serves as an origin and destination point for Colonial.

Nominations

Colonial's Nomination System has been expanded to include two new locations, BDD (Baton Rouge Barge Dock Delivery) and BDO (Baton Rouge Barge Dock Lifting). Nominations for movements through the Baton Rouge Barge Dock will be entered as would any Colonial nomination.

The minimum batch size for fungible deliveries through Baton Rouge Junction (BRJ) to the Barge Dock is 5,000 barrels. The minimum batch size for fungible liftings into Colonial from the Barge Dock is 25,000 barrels. Nominations into Colonial from Baton Rouge Barge Dock Lifting (BDO) must be in tankage at Baton Rouge Junction (BRJ) 24 hours prior to the scheduled lifting time into the mainline. Segregated nominations will be accepted on a case by case basis.

Scheduling

Origin Requirements

The Origins that are eligible to deliver to the Baton Rouge Barge Dock are Pasadena (PDA), Houston (HTN), Hebert (HEB), Port Arthur (PAP), Lake Charles (LKC), Krotz Springs (KSG), Baton Rouge Origin (BRG), and Baton Rouge Storage Liftings (BRL). Origins from Baton Rouge Origin (BRG) will be handled on a best-efforts basis and will be accepted only when Colonial is able to deliver corresponding fungible product from upstream origins. Collins and Moundville cannot be used as origins to the Dock.

Baton Rouge Tankage Requirements

All movements both to and from the Baton Rouge Barge Dock must have prearranged approval from a Baton Rouge tankage party or Colonial.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Baton Rouge Barge Dock (cont.)

Schedules

The Baton Rouge Barge Dock locations, BDD – Barge Dock Delivery and BDO – Barge Dock Offload, have been incorporated into Colonial's existing Scheduling System.

Schedules will be available to show dates and times on all liftings and deliveries related to the Baton Rouge Barge Dock operations.

Line Numbers

For Mainline liftings and deliveries - Lines 1 and 2

For liftings and deliveries - Line 48 (gas), Line 49 (oil) to the Dock, and Line 50 (mixed) from the Dock.

Quality Assurance

Batches moving through lines 48, 49, and 50 will be delivered meeting current Colonial product specifications. The current in-transit quality oversight programs for both Colonial and TransMontaigne will remain in effect. The total oversight program includes various steps of sampling and testing of the product as it moves through the combined transportation system.

Certificate of analysis from refinery or blending terminal and load port cargo inspection report for products being delivered from barges to Colonial Pipeline Baton Rouge tankage must be provided to the Colonial Pipeline Baton Rouge facility prior to vessel discharge. The load port cargo inspection should occur on the loaded vessel, and should consist of the following tests: for gasolines: gravity, color or appearance, RVP, octane (either RON or RM/2), doctor test, and haze; for distillates: gravity, flash, conductivity, sulfur, color, and haze.

Quantity Control

All batches will be measured using electronic meters. Colonial will issue a custody net barrel ticket for each batch delivered to the Barge Dock. Tickets will be distributed to the appropriate parties, either by fax.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Baton Rouge Barge Dock (cont.)

Inventory

Colonial will provide 100% reconciliation of volumes upon final delivery to the Dock facility. To facilitate this settlement, we will charge Colonial's applicable product loss charge.

Product Title Transfers

Through our Inline Product Title Transfer (IPTT) service, shippers desiring to "source" product batches out of Colonial's facilities at Baton Rouge for delivery to TransMontaigne's Barge Dock facility are accommodated. Our nominations, ticketing, and inventory processes each support this service. The IPTT service provides our shippers the option of transferring all obligations associated with being the shipper of a batch to another shipper. The "Product Title Transfer Ticket" that documents the transaction serves to close the product title transfer process between Colonial shippers and terminates the selling shipper's obligation to Colonial as a shipper beyond that point.

Please see Section 2 of this manual, In Line Product Title Transfers, for reference to Colonial's standard invoicing procedures for the IPTT service.

Tariff

The tariff rates for the Baton Rouge Barge Dock Facility origin and destination points are published in the current applicable tariff. Barrels originating from the Dock will be counted first towards the Minimum Volume Threshold. The applicable rates will be charged each invoicing period.

On fourth period billing, Colonial will adjust for barrels in excess of the Minimum Volume Threshold based on accumulated barrels for the calendar month. The credits will appear on the fourth period billing similar to Colonial's home base adjustments.

Invoicing

Colonial will invoice for Baton Rouge Barge Dock deliveries based upon a furthest upstream origin point billing policy. This policy will allow Colonial to identify an origin point for barrels delivered to the Dock. The following example provides an illustration of this policy for barrels delivered to the Baton Rouge Barge Dock Facility in cases where the delivered barrels have multiple origin points.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Intra Harbor Transfer Service (IHT)

Background & Summary

Throughout its history Colonial has utilized Linden tank farm and delivery facility as the endpoint of its 1,500 mile mainline operation that originates in the Gulf Coast. Modifications have been completed to the Linden facility, enabling Colonial to offer a service of product deliveries between terminals and pipelines in the New York harbor area.

Nominations

Local Colonial personnel in Linden confirm availability and enter IHT nominations into Colonial's system on behalf of shippers. In order to request space for IHT movements, shippers must provide the product type, batch size, final delivery location and the timing of when the batch is to be moved. The minimum batch size at origin is 15,000 barrels and the minimum batch size to any delivery point is 5,000 barrels.

Scheduling

Local Colonial personnel in Linden perform the scheduling of transferred batches. Currently, Colonial schedules the Linden tankage and outgoing delivery lines with the volumes coming into the facility off of the mainline. The schedule for all transferred batches has been integrated into this process, therefore, batches from all the Intra Harbor origins and the incoming mainline are sequenced together and pumped down the appropriate delivery lines.

Once Colonial has accepted the IHT request, and the nomination has been created, it is the shipper's responsibility to ensure that nominated IHT batches are ready for transport at the date and time specified by Colonial. Batches that are not ready for shipment at the specified date and time will be subject to cancellation by Colonial.

Quality Control

All batches to be transferred must meet Colonial's published product specifications prior to originating out of the shipper's tankage. Shippers will be required to provide a full Certificate of Analysis of the fuel prior to shipment. In addition, Colonial may sample the originating tankage and perform oversight testing to assure the products meet specification and can be commingled with like products at our Linden facility. Requests for transfer of segregated batches will be handled on a case by case basis.

Colonial Pipeline Company

OTHER TRANSPORTATION SERVICES

Inventory

Colonial will provide 100% reconciliation of transferred volumes upon final delivery. To facilitate this settlement, we will charge a 4.0 cent per barrel fee to cover transfer system losses and downgrading. Colonial has set up a separate and distinct inventory location just for the transfer operation.

Tariffs

Colonial's tariffs to provide the Intra Harbor Transfer Service are published in the Tariff Section of this manual. This covers the transportation of your barrels from the originating terminal to the delivery location of your choice.

Invoicing

Colonial will include all Intra Harbor Transfer charges on your regular transportation invoice.

Contacts

The Operations Coordinator for the Intra Harbor Transfer Service is Linda Pelletier. Linda is based in Linden and is responsible for the overall coordination of batches moving through the transfer system. She will enter your nomination, coordinate the schedule with local Linden operations, and make sure your batch is delivered on specification to your desired location. She may be reached by phone (732)734-2036.

For a further description of the service, you can contact Steve Kelso at (678)762-2268.

VOLUME VARIANCES

Colonial defines volume variances as gains and losses and these gains and losses are indicated on settlement statements (see invoicing Section 6). Gains and losses are generated on a routine basis.

Product Gains

The interface between different products is cut into the product with the lower quality specifications. As a result, surplus inventory of certain products is generated as a part of normal operations. This product is allocated to the shippers and shipped to shippers that generate enough surplus to make a batch.

Colonial Pipeline Company

VOLUME VARIANCES

The surplus that is not allocated to shippers as a part of the monthly settlement process is assigned via spot and contract bids that are open to all shippers. Shippers are notified of product available for assignment via the bulletin system.

Planned Adjustments For In-Transit Volume Gain/Loss

To reduce the effects of kerosene shortages, it is necessary to lift some additional volume to offset that volume downgraded to regular fuel oil. Colonial schedulers determine the volume required for each shipper (1.0 to 3.0 mbbbl) and subtract it from the kerosene nomination. These reduced volumes are identified in the nomination record under the location code of FGL or VST.

When a five-day movement has completed lifting in the origin area, expected barrel losses are assigned to specified batches to account for the volume downgraded to fuel oil.

The barrels added or reduced on specified batches must be taken into account in all subsequent changes or references to these batches.

Occasionally, as a result of its operations, special coding may be required to handle various product gains and losses or while in inventory in a shipper's account on Colonial. This is possible wherever breakout tankage is available. Examples of these codes are:

- 003 – Product gains to be distributed to a shipper.
- FGL – Product lost intransit to mainline batch cutting.
- VST – Product short in tankage.
- FGG – Product gained intransit due to mainline batch cutting.

Shipper advisement of these adjustments is accessible via Colonial's computer system and is reflected in shipper's nominations.

Ticket Discrepancies

In the course of routine product transportation a shipper may dispute a ticketed volume. Colonial's meters are proved on a regular basis and shippers may, at their request, witness a meter proving. Should a shipper dispute a ticketed volume, the volume will be reconciled in accordance with the current API Manual of Petroleum Measurement Standards (MPMS), provided that the performance of any item of equipment will be governed by the MPMS (or other predecessor API standard) in effect on the date the item of equipment was placed in service. Colonial meters have

Colonial Pipeline Company

an accepted tolerance of up to $\pm 0.05\%$ of the measured volume. Manual tank gauging has an accepted tolerance of $\pm 0.25\%$ of the measured volume. Based on these two tolerances, the typical accepted combined tolerance is $\pm 0.30\%$.

VOLUME VARIANCES

To reconcile differences between tank & ticket volumes, Colonial and the shipper must first validate their own measurement processes (correctly applied factors, accurate calculations, physical property corrections, et. al.) Once validated and necessary corrections are made, measurement errors outside of this tolerance will be corrected.

Attempting to reconcile an alleged measurement discrepancy by including loading rack measurements introduces the potential for additional measurement variances. For this reason, Colonial ticket volumes under review may only be reconciled to shipper tanks that are isolated from loading rack operations. Colonial does not permit measurement from a loading facility to be considered in the volume reconciliation.

Should discrepancies continue to occur, the receiving tank must be isolated from the loading rack prior to receipt and a tank gauge taken prior to delivery. The delivery will then be made into the tank. The tank must again stabilize prior to the second gauge. A Colonial operator shall witness both opening and closing gauge readings. Measurement errors outside of this tolerance will be corrected.

Colonial Pipeline Company

SCHEDULE OF SERVICES and FEES

Long Haul Transportation Rates	See applicable FERC Tariff Filing
Short Haul Transportation Rates	See applicable FERC Tariff Filing
Intra Harbor Transfer	See applicable FERC Tariff Filing
Loss Allowance	See Section Seven, Invoicing Information
Nomination Integrity Program	See applicable FERC Tariff Filing See applicable FERC Tariff Filing
Capacity Allocation Program Fee	See applicable FERC Tariff Filing
Red Dye Injection Fee	12.0 cpb
In Line Product Title Transfers	8.0 cpb, subject to tank lease terms
Downstream Product Title Transfer	8.0 cpb, subject to tank lease terms
In Transit Storage/ System Storage	Variable, subject to lease terms
Security Surcharge	See applicable FERC Tariff Filing
ULSD Surcharge	See applicable FERC Tariff Filing
Demurrage Charges	See applicable FERC Tariff Filing