

**CITGO PIPELINE COMPANY
PRORATION POLICY**

Effective Date January 1, 2019

Date: January 1, 2019

During any period of time when the aggregate volume of Crude Petroleum products to be received and / or transported by CITGO Pipeline Company (Carrier), exceeds the available capacity of the Main Line Segment, space in Carrier's facilities shall be equitably allocated among all Regular Shippers in compliance with Carrier's obligations under Part 1 of the Interstate Commerce Act, as amended, and the following Proration Policy:

(a) Definitions

- 1) "Allocation Month" means any calendar month, or portion thereof as applicable, for which Carrier has determined that Nominated volumes exceed Available Capacity.**
- 2) "Base Period" means the rolling twelve-month period ending the calendar month that is two months prior to the Allocation Month.**
- 3) "Main Line Segment", "pipeline" or "segment" means the main crude service pipeline that runs from Sour Lake to the Pecan Grove receipt station.**
- 4) "Allocation" means the pipeline capacity, expressed in total barrels for the month or cycle if applicable which Carrier apportions to a given Shipper during the period of proration.**
- 5) "New Shipper" means any Shipper on Carrier's Main Line Segment who does not qualify as a Regular Shipper. A New Shipper qualifies to be a Regular Shipper upon twelve (12) consecutive months of shipping on Carrier's Main Line Segment at the**

status of New Shipper and meets the requirements of New Shipper as specified in the Rules and Regulations.

6) “Regular Shipper” means any shipper not a New Shipper and that has met the requirement of having shipped on the Carrier’s Main Line Segment for twelve (12) consecutive months with actual shipments of at least the minimum batch size each month of the Base Period.

- (b) In order to determine if it is necessary to allocate space in any portion of Carrier’s facilities, Carrier requires that monthly tenders be received by the 20th of each month for the next month’s Crude Petroleum product movement. If the shipper makes such tender nomination by telephone, it shall promptly confirm the tender to Carrier’s control center scheduler in writing by electronic mail (“email”).**
- (c) When the total tendered volume for any month including available space by cycle, if any, exceeds the capacity available for any line segment, all shippers tendering on the affected line segment will be called and notified by email and such notification shall be of Carrier’s intent to prorate, pending verification of shipments from all shippers. At this time, a shipper must confirm to Carrier its intent to move the volume specified in its original tender, or a lower volume, but a shipper cannot change its original tender to increase its forecasted movements in excess of its original tendered volume, on a net delivered by barrel basis.**

- (d) If total verified tenders for any month or available space by cycle or total month, as applicable, exceeds available capacity, all in the Allocation Month, the space will be allocated by shipper in proportion to that shipper's total average barrels shipped in the Base Period of the previous twelve months that is two months prior to the Allocation Month. Such allocation, as it may be reduced by application of paragraph "d" below, is hereafter called the "Allocated Volume." If the Allocated Volume for any shipper is less than the minimum tender requirement set forth in Carrier's tariff, such Allocated Volume shall be increased to equal the minimum tender requirement. All of the foregoing calculations will be made on a net delivered barrel basis.
- (e) The final schedule for each month will be made electronically available by electronic email to each shipper by the 27th day of that nomination month. The schedule will show planned crude movements to begin on the 1st of the following month. If a shipper fails to move its Allocated Volume, such shipper's Allocated Volume for the first prorated scheduling month occurring after the next scheduling month (if such prorated month occurs within the next twelve scheduling months) will be reduced by the difference between its Allocated Volume and actual shipments for the month; except that to the extent that such failure is, in the sole opinion of Carrier, due to causes beyond the reasonable control of shipper. All of the foregoing calculations will be made on a net delivered barrel basis.
- (f) Allocated space of one shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another shipper during such time as prorationing may be

in effect unless such transfer is to a successor to substantially all of the Shipper's business. If a Crude Petroleum batch is not available at the time allocated in the schedule, it will be dropped from the schedule. In such event, Carrier may redistribute space allocation among other shippers to efficiently utilize the pipeline capacity. Lost Crude Petroleum tenders may be picked up at the end of the cycle or month, if time permits, but may not be carried forward into any subsequent month.

- (g) New shippers will be assigned as a "New Shipper" class for the first consecutive twelve (12) months that the new shipper nominates and ships volume that at minimum meets the minimum batch size each month. The New Shipper class or group will be allocated ten percent (10.0 %) of the capacity of the pipeline as rated without drag reducing agent and based on average viscosity of west Texas intermediate crude at 60 degrees Fahrenheit if the pipeline is in proration. Carrier may at Carrier's option each month allocate additional capacity volume to new Shipper class until their 12 month history is established based on economics of adding drag reducing agent that will create capacity. If there is more than one New Shipper, then the shippers in this New Shipper class will be allocated an equal percent of the total of ten percent (10%) for each month the pipeline is in proration.**