



**Magellan Pipeline Company, L.P. (“MPL”)
Pipeline Proration Procedure
Mountain System
January 1, 2019**

During any month when the aggregate volume of Petroleum Products nominated to be transported exceeds the available capacity, space in the MPL Mountain System will be equitably allocated among all Shippers under the following Proration Procedure.

The allocation for the system will be phased-in accordingly to allow all Shippers the ability to build the history referenced in the policy. For allocation, monthly volumes shipped beginning February 1, 2019 will count toward the Base Period until the full 13th month prior to the month being allocated has lapsed. MPL will continue to operate under the existing policy until the completion of the Base Period, except for Section c) and Section e) of this policy, which will be implemented on January 1, 2019, and will apply to all nominations made after that date.

a) Definitions

1. “Affiliate” means any entity that directly or indirectly controls a Shipper, is controlled by another Shipper, or is controlled by the same entity that controls a Shipper. For purposes of this definition, the terms “controls” and “controlled by” shall mean:
 - the use of shared mailing or business addresses;
 - the use of shared business telephone numbers;
 - the use of common bank account(s);
 - one Shipper directing or conducting business on behalf of another Shipper; or
 - the power to direct or cause the direction of the management and policies of another entity whether through the ownership of voting securities, a contract, trust arrangement or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes, with respect to the control of or by a corporation, limited liability company or partnership, the ownership of interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly.
2. “Base Period” – the twelve (12) month period, beginning thirteen (13) months prior to the month being allocated (which excludes the month preceding the month of allocation).
3. “New Shipper” – any Shipper that does not qualify under the definition of a Regular Shipper. A New Shipper will become a Regular Shipper after twelve months of consecutive shipments.
4. “Portal” means MPL’s web-based customer portal.
5. “Regular Shipper” – any Shipper who shipped volumes during the twelve consecutive months that comprise the Base Period.

6. “Shipper” means any New Shipper or any Regular Shipper.

b) Allocation Method

1. Capacity will be allocated for each segment of the system, as necessary, on a monthly basis.
2. Up to 5% of the capacity to be allocated will be reserved for New Shippers. Each New Shipper will be allocated a maximum of one-tenth (1/10) of 5% of the total pipeline capacity (the “New Shipper Allocation”). If the total allocation for New Shippers exceeds the 5% of capacity reserved for New Shippers, MPL will administer a lottery process outlined in Section d) below. A New Shipper may not participate in the lottery process for a given month if it is an Affiliate of a Regular Shipper. Additionally, if two or more New Shippers are Affiliates of one another, only one (1) may participate in the lottery process for a given month.
3. All capacity not allocated to New Shippers will be allocated to Regular Shippers. The capacity will be allocated based on each Regular Shipper’s respective proportions of total shipments during the Base Period.
4. Allocated space of one Shipper may not be assigned, conveyed, or used by another Shipper during such time as this policy is in effect.

c) Procedural Schedule

1. Shipper Nominations must be submitted to the MPL scheduler prior to 5:00 PM Central time the 15th day of the month preceding the month for which the nominations apply. If the fifteenth (15th) day of the month falls on a weekend or holiday, nominations are due on the last workday before the fifteenth (15th).
2. The MPL scheduler will, within three (3) workdays, notify, Shippers via the Portal, or by email if Portal notifications are unavailable, of their allocated volume based on the Allocation Method described above.
3. Each New Shipper allocated capacity must, within one (1) workday after the MPL scheduler’s notification pursuant to c)2. above, notify the MPL scheduler via the Portal, or by email if Portal notifications are unavailable, of the New Shipper’s acceptance of the allocated capacity.
4. Regular Shippers will, within two (2) workdays, notify the MPL scheduler via the Portal, or by email if Portal notifications are unavailable, of its acceptance of the allocated volumes. If a Regular Shipper does not notify MPL of its acceptance, the allocated volumes will be automatically awarded to the Shipper. A Shipper who is automatically awarded volume will be subject to the obligation in Section e) below.
5. At the time of acceptance, Shippers may notify MPL of their intent to reduce their nominated volumes below their allocated amount. Any allocated capacity that is “released” by a Shipper in this manner will be allocated to the other Regular Shippers based on the Allocation Method above.
6. After steps 1-5 have been completed, the MPL scheduler will notify all Shippers of their “confirmed” allocated volumes by the sixth workday following the 15th of the month.

d) Lottery Process

1. MPL will administer a lottery process to allocate capacity to New Shippers pursuant to Section b)2. above as follows:
 - MPL will use a random number generating process to randomly assign each New Shipper a number from one to the number representing the

- total number of New Shippers participating in the lottery (i.e. if there are thirty New Shippers, numbers one through thirty will be assigned).
- The New Shipper assigned number one will receive the first New Shipper Allocation. Thereafter, New Shipper Allocations will be assigned to New Shippers sequentially, from lowest assigned number to highest assigned number, until the 5% of total pipeline capacity referenced in Section b).2 above is fully allocated.
 - Following the lottery, MPL will notify each New Shipper the capacity, if any, it was allocated for that month.
 - New Shippers accepting of their awarded allocation that do not ship their allocated volume will be suspended from entering the lottery process for three (3) months, losing any continuous shipment history built.

e) Shipper Obligation

1. If a Shipper does not tender for shipment its confirmed allocated volume during any month in which the pipeline is prorated, the Shipper will be invoiced and will be responsible for payment of an unused allocation charge in an amount equal to eighty-five percent (85%) the total allocated volume, less any volumes actually shipped during the month, times the current tariff rate for shipments from El Dorado, KS to Denver, CO. Shippers will build history only on the basis of volumes actually shipped, not on the basis of any unused allocation charge paid.
2. If, during a given month, a delay in transportation services or loss of Petroleum Products caused by any event described in Item 185 of MPL's Tariff F.E.R.C. No. 158.20.0 (and supplements to and reissues thereof, collectively, the "MPL Rules Tariff") occurs, and if a Shipper fails to meet the obligation set forth in Section e)1. as a direct result of such delay in transportation services or loss of Petroleum Products, MPL will proportionally reduce or eliminate the unused allocation charge described in Section e)1. of this policy. The affected Shipper must assert its claim to MPL in writing within ten (10) days following the end of the calendar month during which the Shipper did not meet its obligation as a direct result of an event described in Item 185 of the MPL Rules Tariff.