

**SEAWAY CRUDE PIPELINE COMPANY LLC**

**LOCAL TARIFF  
Containing  
RATES, RULES AND REGULATIONS  
Governing  
THE TRANSPORTATION  
of  
CRUDE PETROLEUM  
by  
PIPELINE**

Filed in accordance with *Seaway Crude Pipeline Company, LLC*, [W]154 FERC ¶ 61,070 (2016) (“~~Opinion No. 546~~”) and the Commission’s August 17, 2016 order accepting *Seaway Crude Pipeline Company, LLC*’s March 17, 2016 compliance filing in Docket No. IS12-226 et al 156 FERC ¶ 61,232 (2016) (“Order Accepting Tariff, Subject To Conditions”) and 18 CFR §342.3 – Indexing.

**SPECIAL PERMISSION REQUESTED:** Issued on [W]~~two (2) days~~<sup>less than one (1) day</sup>’s notice under authority of 18 CFR §341.14. This tariff publication is conditionally accepted subject to refund pending a 30 day review period.

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**GENERAL APPLICATION**

Carrier will accept and transport Crude Petroleum offered for transportation through Carrier’s facilities, only as provided in this Rates, Rules and Regulations Tariff.

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The provisions published herein will--if effective--not result in an effect on the quality of the human environment.

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<b>ISSUED</b>	<b>SEPTEMBER 30, 2016</b>
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<b>EFFECTIVE</b>	<b>OCTOBER 1, 2016</b>
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# RULES AND REGULATIONS

## 1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

**“Affiliate”** means any Person that, directly or indirectly: (i) controls a Party; (ii) is controlled by a Party; or (iii) is under common control with a Party; it being understood and agreed that for purposes of this definition the terms “control,” “controls” and “controlled by” shall mean the power to direct or cause the direction of the management and policies of another Person whether through the ownership of shares, a contract, trust arrangement or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above. Affiliates are also Persons with common mailing or business addresses, business telephone numbers, or bank account(s).

**“API”** means American Petroleum Institute.

**“API MPMS”** means the API Manual of Petroleum Measurement Standards.

**“ASTM”** means American Society for Testing and Materials.

**“Barrels”** means 42 United States gallons at sixty degrees (60°) Fahrenheit.

**“Business Day”** means any day other than Saturday, Sunday, and any other day when banks are closed for business in Texas.

**“Carrier”** means Seaway Crude Pipeline Company LLC.

**“Carrier Force Majeure Credit Volumes”** means Make-Up Volumes generated by Committed Volumes that could not be shipped as a result of an event of Force Majeure that prevented the Carrier from providing all or part of the Services for which a Committed Shipper paid Shortfall Payments.

**“Carrier Force Majeure Extended Volume”** means a volume of Crude Petroleum equal to the Committed Volumes that were not shipped by a Committed Shipper in an earlier month(s) (and for which the Committed Shipper was not required to pay Shortfall Payments) as a result of an event of Force Majeure that prevented the Carrier from providing all or part of the Services.

**“Committed Shipper”** means a Shipper that has contracted for transporting a Committed Volume or otherwise paying the applicable Shortfall Payment, pursuant to the terms of a TSA executed by the Shipper during the open commitment periods that commenced on October 3, 2011 and January 4, 2012.

**“Committed Volume”** means, with respect to a Committed Shipper, the minimum daily volume of Crude Petroleum set out in Schedule A to the Committed Shipper’s TSA.

**“Crude Petroleum”** means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products:

**“Delivery Points”** means the delivery points provided for in Rule 30 of this tariff.

**“FERC”** means the Federal Energy Regulatory Commission.

**“Financial Assurances”** has the meaning set forth in Rule 22.

## **RULES AND REGULATIONS (Continued)**

### **DEFINITIONS (continued)**

**“Force Majeure”** means any of the following events: acts of God; acts or delays of any Governmental Authority; compliance with rules, regulations or orders of any Governmental Authority; strikes, lockouts or other industrial disturbances; acts of the public enemy, acts of terrorism, wars, blockades, insurrections, riots, and civil disturbances; epidemics; landslides, lightning, earthquakes, fires, extreme temperatures, storms, hurricanes, floods, or other adverse weather conditions; freezing of wells or lines of pipes; washouts; arrests and restraint of rulers and people; explosions, breakage or accident to machinery or lines of pipes; requisitions, directives, diversions, embargoes, priorities or expropriations of Governmental Authorities, legal or de facto, whether purporting to act under some applicable law, rules or regulations or otherwise; failure of pipelines or other carriers to transport or furnish facilities for transportation; failures, disruptions, or breakdowns of machinery or of facilities for production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); the necessity for making repairs, alterations, enlargements or connections to, or performing maintenance on, machinery or facilities of production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); inability to secure or delays in securing rights of way and permits; transportation embargoes or failures or delays in transportation or poor road conditions; any partial or entire failure of Crude Petroleum supply, and, without limitation by enumeration, any cause or causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of an entity.

**“Governmental Authority”** means any government, any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision and any court, tribunal or judicial or arbitral body (federal, state or local or, in the case of an arbitral body, whether governmental, public or private).

**“Heavy Crude”** means Crude Petroleum having an API gravity equal to or less than 29 degrees at sixty degrees Fahrenheit (60° F) and a viscosity equal to or greater than 55 Saybolt Universal Seconds (SUS) at 100 degrees Fahrenheit.

**“Light Crude”** means Crude Petroleum having an API gravity greater than 29 degrees at sixty degrees Fahrenheit (60° F) and a viscosity less than 55 Saybolt Universal Seconds (SUS) at 100 degrees Fahrenheit.

**“Make-Up Volumes”** means Barrels for which a Shortfall Payment has been paid and which are Nominated by a Committed Shipper for transportation in a subsequent month in accordance with article 7 of the TSA.

**“Minimum Volume”** is defined as a minimum continuous volume of 60,000 barrels of Crude Petroleum received or delivered at one time.

**“Monthly Volume”** means the Committed Volume multiplied by the number of days in the relevant month (or partial month).

**“Nomination” or “Nominate(d)”** means an offer by a Shipper to the Carrier in accordance with this tariff for the transportation of a stated quantity and type of Crude Petroleum from a Receipt Point to a Delivery Point.

**“Observed Viscosity”** means the property which offers resistance to flow and as determined at the measured Crude Petroleum temperature at the time of receipt.

**“Pipeline”** means the Seaway Pipeline that extends from the Enterprise Crude Petroleum terminal in Cushing, Oklahoma to the Delivery Points, except for those portions that are leased to other carriers.

**“Rates Tariff”** means the Carrier’s local rates tariff for the Pipeline, on file and in effect with the FERC, as such rates tariff may be amended or supplemented from time to time.

## **RULES AND REGULATIONS (Continued)**

### **DEFINITIONS (continued)**

“**Receipt Point**” means the receipt point provided for in Rule 30 of this tariff.

“**Reference Viscosity**” means the property which offers resistance to flow and is based on the Carrier’s reference pipeline temperature at the time of receipt.

“**Reid Vapor Pressure**” is the absolute vapor pressure at one-hundred degrees Fahrenheit (100°F) of volatile Crude Petroleum herein expressed in pounds per square inch, as determined by test method ASTM D-323.

“**Services**” means the transportation of Crude Petroleum for a Shipper’s account on the Pipeline from a Receipt Point and the delivery of such Crude Petroleum to a Delivery Point.

“**Shipper**” means a party, including a Committed Shipper, for whom transportation services are provided under the terms of this tariff.

“**Shortfall Payments**” means payments to be made by a Committed Shipper as determined in accordance with Article 7 of the TSA.

“**Standard Conditions**” means 60 degrees Fahrenheit and 14.696 psia, and are the standardized temperature and pressure which measured Crude Petroleum volumes are corrected to, as if the Crude Petroleum were at those conditions.

“**TSA**” means a transportation services agreement executed by a Committed Shipper with respect to the Pipeline pursuant to the terms of the open commitment periods that commenced on October 3, 2011 and January 4, 2012.

“**Working Stock**” means the volume of Crude Petroleum required by the Carrier, at initiating locations where the Carrier owns tankage, to float tank roofs to working levels and to maintain that level and for terminal piping.

### **2. COMMODITY**

This tariff applies only to the transportation of Crude Petroleum by the Carrier and no commodity other than Crude Petroleum will be transported under this tariff unless the Carrier provides its consent in writing.

### **3. ACCEPTANCE OF CRUDE PETROLEUM**

- (a) Subject to the further provisions of this tariff, the Carrier will only accept Crude Petroleum for transportation on the Pipeline:
  - i. that will originate on the Pipeline at a Receipt Point and;
  - ii. when the party taking delivery of the Crude Petroleum has been specified in writing to the Carrier.
- (b) Except where the Carrier provides such facilities, the Carrier will only accept Crude Petroleum for transportation when the Shipper has provided evidence satisfactory to the Carrier that the Shipper has the necessary facilities to accept delivery of such Crude Petroleum promptly on arrival at the Delivery Point.
- (c) The Carrier reserves the right to reject any and all Crude Petroleum Nominated where the Shipper has failed to comply with all applicable laws, items and regulations made by any governmental authorities regulating shipments of Crude Petroleum.

## **RULES AND REGULATIONS (Continued)**

### **4. SPECIFICATIONS AS TO QUALITY**

- (a) Unless the specifications as to quality of a connecting carrier at the Delivery Point are less than those of the Carrier and are imposed upon the Carrier, in which case the limitations of the connecting carrier will be applied to the Shipper, a Shipper shall not deliver to the Carrier and the Carrier shall not be obligated to accept Crude Petroleum where, as determined by the Carrier on receipt:
- i. The Reid Vapor Pressure of the Crude Petroleum exceeds nine (9.0) psia, or might result in Carrier's noncompliance with federal, state or local requirements regarding hydrocarbon emissions;
  - ii. The kinematic viscosity exceeds three hundred and fifty (350) millimeters per second;
  - iii. The gravity of Crude Petroleum is less than seventeen degrees (17° F) API gravity or greater than ninety degrees (90° F) API gravity at sixty degrees Fahrenheit (60° F);
  - iv. The Crude Petroleum contains basic or foreign sediment and water and other impurities exceeding one percent (1%) by volume or in which the volume of water exceeds five-tenths of one percent (.5 of 1%) of the volume offered for transportation;
  - v. The surface of settled sediment and water and other impurities in tanks is less than four inches (4") below the bottom of the pipeline connection from which it enters Carrier's facilities;
  - vi. The organic chlorides in the Crude Petroleum exceeds three (3) ppm (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
  - vii. The Crude Petroleum contains any other excessive metals, chemicals, salts, or any other material which would adversely affect downstream markets or pipelines; or
  - viii. The Crude Petroleum does not meet specifications of connecting carriers.
- (b) A Shipper shall, as required by the Carrier, provide to the Carrier a certificate with respect to the specifications of Crude Petroleum to be received by the Carrier from such Shipper. If a Shipper fails to provide the Carrier with such certificate, then the Carrier shall not be obligated to accept the Shipper's Crude Petroleum. The Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between the Shipper's certificate and the Carrier's test, the latter shall prevail.
- (c) The Carrier reserves the right to refuse to accept any Crude Petroleum (or other product) for transportation which does not meet Carrier's specifications in paragraph (a) of this Rule 4 or which is not good merchantable Crude Petroleum readily acceptable for transportation through the Pipeline.
- (d) If the Carrier determines that a Shipper does not comply with the provisions of paragraph (a) of Rule 4 of this tariff, then such Shipper shall remove its Crude Petroleum from the facilities of the Carrier as directed by the Carrier and if Shipper fails to do so by the date and time directed by the Carrier, the Carrier shall have the right, at its sole discretion, to any remedy available, including but not limited to the right without notice of liability to return, divert, sell or dispose of such Crude Petroleum. The Shipper shall reimburse the Carrier for all costs and expenses incurred by the Carrier in returning or otherwise disposing of such non-conforming Crude Petroleum.
- (e) If, upon investigation, the Carrier determines that the Shipper has delivered to the Carrier's facilities Crude Petroleum that has contaminated the common fungible stream, rendering all or a portion of the fungible Crude Petroleum stream undeliverable, the Carrier reserves the right to treat or otherwise dispose of all contaminated Crude Petroleum in any reasonable commercial manner at Shipper's sole expense.

## **RULES AND REGULATIONS (Continued)**

### **SPECIFICATIONS AS TO QUALITY (Continued)**

- (f) On Crude Petroleum received by the Carrier that does not meet the Carrier's deliverability requirements, the Carrier reserves the right to charge an additional 100 cents per Barrel treating and handling charge.

### **5. CHANGES IN QUALITY AND SEGREGATION**

- (a) The Carrier shall endeavor to deliver substantially the same type of Crude Petroleum as that received from a Shipper; however, the Carrier shall not be obligated to make delivery of the identical Crude Petroleum received by the Carrier.
- (b) Crude Petroleum tendered to the Carrier for transportation will be received by the Carrier on the condition that it shall be subject to such changes in density or quality while in transit as may result from the transportation, commingling or intermixing thereof, including, without limiting the generality of the foregoing, the mixing of a Shipper's Crude Petroleum with other Petroleum in the facilities of the Carrier. The Carrier shall not be liable for any damage loss or consequential loss resulting from a change in the density or other quality of a Shipper's Crude Petroleum as a result of the Carrier's transportation, commingling or intermixing of such Crude Petroleum.

### **6. NOMINATIONS AND QUANTITIES ACCEPTED**

- (a) All Shippers desiring to ship Crude Petroleum through the Pipeline shall promptly provide Carrier a Nomination containing all information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum which Shipper offers to make. Carrier may refuse to receive Crude Petroleum for transportation until Shipper has provided Carrier with such information.
- (b) Carrier shall not be obligated to accept Crude Petroleum for transportation during any calendar month unless the Shipper shall, on or before the fifteenth (15<sup>th</sup>) day of the preceding calendar month, notify the Carrier in writing of the kind and quantity of such Crude Petroleum which it desires to ship. If the fifteenth (15<sup>th</sup>) day of the preceding calendar month is a non-business day, then such notification shall be due on the last business day immediately prior to the fifteenth (15<sup>th</sup>) day of the preceding calendar month.
- (c) A Shipper shall, upon notice from the Carrier, provide written third party verification as required by the Carrier in support of such Shipper's Nomination to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. The Carrier shall not be obligated to accept a Shipper's Crude Petroleum where such verification is, in the sole discretion of the Carrier, unacceptable to the Carrier.
- (d) The Carrier shall not be obligated to accept a Shipper's Crude Petroleum if the volume of such Crude Petroleum is less than the Minimum Volume or if the receipt flow rate at which such Crude Petroleum is received by the Carrier is less than or greater than the receipt flow rates specified from time to time by the Carrier for the Receipt Point.
- (e) The Carrier shall not be obligated to make a delivery of a Shipper's Crude Petroleum of less than the Minimum Volume or at a delivery flow rate less than or greater than the delivery flow rates specified from time to time by the Carrier for the Delivery Point.
- (f) Any applicant that is not currently shipping on the Pipeline system and is seeking approved Shipper status with the Carrier in order to become a New Shipper (as defined in Rule 17) shall be required, as a condition to such approved status, to certify to the Carrier that the applicant is not an Affiliate of any existing Shipper on the pipeline system.

## **RULES AND REGULATIONS (Continued)**

### **7. COMMITTED SHIPPER NOMINATIONS**

- (a) In the event a Committed Shipper fails to Nominate and deliver a volume of Crude Petroleum equal to or greater than its Monthly Volume, it shall nevertheless pay to the Carrier the Shortfall Payment in accordance with the TSA.
- (b) Whether Nominations and deliveries meet Monthly Volume requirements will be assessed relative to the Receipt Point.

### **8. MAKE UP RIGHTS**

Committed Shippers who fail to meet their Monthly Volume requirements in a month, or who pay Shortfall Payments during any period when Carrier is unable to provide Services by reason of an event of Force Majeure, will be subject to uniform provisions for Committed Shippers with respect to their ability to make up those volumes in subsequent months and their corresponding payment obligations all as set forth in the TSA.

### **9. RULES AND RATES APPLICABLE**

The rates which shall apply to the transportation of Crude Petroleum shall be the rate in effect on the date Crude Petroleum is received by the Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum shall be the rules and regulations in effect on the date Crude Petroleum is received by Carrier for transportation.

### **10. PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES**

- (a) A Shipper shall pay all charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Shipper shall pay such charges and costs upon receipt of the Carrier's invoice respecting such charges and costs. The Shipper shall pay such charges and costs based on receipts into the Pipeline, or before acceptance by the Carrier of the Shipper's Crude Petroleum at the Receipt Point.
- (b) The Carrier shall have a lien on all of Shipper's Crude Petroleum that is in the custody of the Carrier to secure the payment of all charges and costs as provided for or referenced in this tariff due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Carrier may withhold the Shipper's Crude Petroleum from delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- (c) If charges for the transportation of a Shipper's Petroleum remain unpaid for ten (10) Business Days after notice of demand for payment of such charges is made to such Shipper by the Carrier, then the Carrier shall have the right to (i) assess a late charge at an annual interest rate equivalent to one hundred twenty-five percent (125%) of the prime rate of interest charged by Citibank N.A. of New York, New York (the maximum on ninety (90) day loans to substantial and responsible commercial borrowers or any lesser maximum interest rate permitted under applicable law) as of the due date; provided that Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Crude Petroleum that is in the possession of the Carrier in such lawful manner as deemed appropriate by the Carrier.
- (d) The Carrier shall pay from the proceeds of any sale pursuant to Rule 10(c)(2) all charges and costs accruing or due relating to the transportation of such Shipper's Crude Petroleum by the Carrier and all costs incurred by the Carrier with respect to the storage, removal and sale of such Shipper's Crude Petroleum. The remainder of such proceeds, if any, shall be held by the Carrier for the Shipper and any other party lawfully entitled to such proceeds.
- (e) Carrier may require that all payments to Carrier for services pertaining to the transportation of Crude Petroleum be wire transferred in accordance with the instructions on the Carrier's invoice to Shipper.



## **RULES AND REGULATIONS (Continued)**

### **PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES (continued)**

- (f) When required the Carrier shall, with or without notice to the Shipper, appoint agent(s) to retain possession of the Shipper's Crude Petroleum on behalf of the Carrier for the purpose of enforcing the lien described in this Rule.
- (g) Two tenths of one percent (2/10ths of 1%) of the volumes of Crude Petroleum received into the Carrier's facilities shall be allocated to the Carrier to cover loss due to shrinkage and evaporation incident to transportation on the Carrier's facilities ("Pipeline Loss Allowance" or "PLA"). PLA is settled financially pursuant to Carrier's Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement dated July 1, 2015, which is posted on Carrier's website and available upon request. This policy will also be used to settle any over/short balances of Shipper each month.

### **11. MEASURING, TESTING, AND DEDUCTIONS**

- (a) All Crude Petroleum accepted at custody transfer points into the Carrier's facilities shall be tested for basic or foreign sediment and water and other impurities and gauged or metered by the Carrier's representative. Shipper shall have the right to witness all proving of meters used in such measurement. The Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its facilities.
- (b) Where the measurement is determined by tank gauge, such measurement shall be based upon tanks strapped and tables compiled in accordance with Chapter 2, "Tank Calibration", API Manual of Petroleum Measurement Standards, Latest Edition, indicating one hundred percent (100%) full capacity. Volume measurements by temperature compensated meters shall be further corrected for meter factor and pressure in accordance with the API Manual of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters.
- (c) Where the tank or meter of the Shipper is used for volume determination for deliveries into or from the Carrier's facilities, the Carrier reserves the right to require restrapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- (d) The Carrier shall deduct from the volume of Crude Petroleum received into the Carrier's facilities the actual amount of suspended basic or foreign sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.
- (e) The net calculated quantity at sixty degrees Fahrenheit (60° F) less sediment and water and other impurities volume percentage shall be the quantity received or delivered by the Carrier.
- (f) All Crude Petroleum Tendered for shipment at fifty five degrees (55°) API Gravity at sixty degrees Fahrenheit (60° F) or above shall be subject to a volume shrinkage deduction as set forth below:  

API GRAVITY	% DEDUCTION
55 degrees through 74.9 degrees	1%
75 degrees through 89.9 degrees	2%
- (g) The Carrier will not accept any material for shipment above ninety degrees (90°) API gravity at sixty degrees Fahrenheit (60° F).
- (h) Except for arithmetic errors, all measurement and testing by the Carrier shall be conclusive if a representative of the Shipper was not present during such measuring and testing.

## **RULES AND REGULATIONS (Continued)**

### **12. EVIDENCE OF RECEIPTS AND DELIVERIES**

The Carrier shall evidence the receipt and delivery of Crude Petroleum by tickets showing the volume, crude type, temperature, gravity, sediment and water and any other data with respect to such Crude Petroleum as may be specified from time to time by the Carrier. Unless otherwise agreed in writing by the Carrier, Shipper and/or its consignee, such tickets shall be signed by a representative of the Carrier. The signed tickets shall be conclusive evidence of the information set forth therein.

### **13. WORKING STOCK**

- (a) Each Shipper shall supply its quantity of Working Stock as determined from time to time by the Carrier.
- (b) In the event Shipper fails to supply the Working Stock volumes as requested by the Carrier in Rule 13(a), the Carrier will obtain the deficient Working Stock volumes on such Shipper's behalf, and such Shipper shall pay for, all charges incurred by the Carrier to obtain the deficient Working Stock volumes upon receipt of the Carrier's invoice therefor.

### **14. DELIVERY AND ACCEPTANCE**

- (a) The Carrier shall transport and deliver Crude Petroleum with reasonable diligence and dispatch, but shall not be required to transport Crude Petroleum in time for any particular market.
- (b) A Shipper or the designee of the Shipper shall accept such Shipper's Crude Petroleum upon arrival at the Delivery Point.
- (c) If a Shipper fails to remove its Crude Petroleum from the facilities of the Carrier in accordance with the provisions of paragraph (b) of Rule 14 of this tariff, then the Carrier shall have the right to remove and sell such Crude Petroleum in such lawful manner as deemed appropriate by the Carrier. The Carrier shall pay from the proceeds of such sale all costs incurred by the Carrier with respect to the storage, removal and sale of such Crude Petroleum. The remainder of such proceeds, if any, shall be held by the Carrier for the Shipper and any other party lawfully entitled to such proceeds.

### **15. LIABILITY OF CARRIER**

- (a) Except where caused by the direct negligence of the Carrier, the Carrier shall not be liable to a Shipper for any delay, damage, loss or consequential loss resulting from any cause while the Carrier is in possession or control of such Shipper's Crude Petroleum, including the breakdown of the facilities of the Carrier.
- (b) If damage or loss to Crude Petroleum results from any cause other than the direct negligence of the Carrier while the Carrier is in possession or control of such Crude Petroleum, then the Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by the Carrier based on the proportion of the volume of the Shipper's Crude Petroleum in the possession of the Carrier on the date of such loss to the total volume of Petroleum in the possession of the Carrier on the date of such loss. The Carrier will be obligated to deliver only that portion of the Crude Petroleum remaining after such deduction.
- (c) If Crude Petroleum is lost in transit while in the custody of Carrier due to the direct negligence of the Carrier, the Carrier, shall, as full compensation therefor, either obtain and deliver to the Shipper thereof other Crude Petroleum of the same quantity and grades as that which was lost, or compensate Shipper for such loss in money.

## RULES AND REGULATIONS (Continued)

### 16. INDEMNIFICATION BY SHIPPER

A Shipper shall indemnify the Carrier for any damage, loss, costs or consequential loss incurred by the Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff, excluding any damage, loss, costs or consequential loss caused by the direct negligence of the Carrier.

### 17. PRORATIONING

(a) For the purposes of this Rule, the following definitions shall apply:

**“Actual Shipments”** means volumes of Crude Petroleum that originate on the Pipeline at the Receipt Point and that are ultimately delivered at a Delivery Point. All volumes shall be measured at the Receipt Point.

**“Allocated Receipt Volume”** means the volume allotted to a Shipper in accordance with this section.

**“Available Capacity”** means the total capacity of the Pipeline available to transport Crude Petroleum.

**“Average Monthly Volume”** means (a) for shippers other than Committed Shippers, the average of a Regular Shipper's monthly volumes of Crude Petroleum tendered during the entire Base Period subject to prorating, and (b) for Committed Shippers, the greater of (i) the average of a Committed Shipper's monthly volumes of Crude Petroleum tendered during the entire Base Period subject to prorating (or such portion of such average monthly volumes as shall not result in an allocation to another Committed Shipper under step (b)(ii) below that reduces such other Committed Shipper below its Committed Volume for the allocation period), and (ii) the Committed Shipper's Committed Volume applicable to the month of prorating.

**“Base Period”** means a cumulative rolling period of twelve (12) months ending one month prior to the month of prorating.

**“Binding Nomination”** means the volumes (excluding any Committed Volumes and Make-Up Volumes) allocated to a Shipper during a period of prorating.

**“New Shipper”** means a Shipper that is not a Regular Shipper.

**“Regular Shipper”** means (i) a Committed Shipper, and (ii) a Shipper that has Actual Shipments in each of the twelve months of the Base Period. A Regular Shipper described in clause (ii) ceases to be a Regular Shipper if it has no Actual Shipments for one or more months out of the Base Period, and thereafter, that Shipper will be treated as a New Shipper unless and until it meets Regular Shipper criteria.

(b) If for any month, more Crude Petroleum is Nominated to the Carrier than can be transported on the applicable segment of the Pipeline by the Carrier, then the Carrier shall prorate the Nominations among Shippers on such segment as follows:

(i) Ninety percent (90%) of the Available Capacity will be allocated by the Carrier to all Regular Shippers proportionately based on the lesser of each Regular Shipper's Average Monthly Volume or its tendered volume.

(ii) Ten percent (10%) of the Available Capacity will be allocated by the Carrier to the New Shippers, if any, on a pro rata basis but not to exceed the tendered volume. If the pro rata allocation in a given month, based on the number of New Shippers making nominations, results in no New Shipper being allocated the Minimum Volume, then Carrier will administer a lottery using a software-generated random process for the total number of monthly Minimum Volume allocations available to New Shippers. A New Shipper will not be allocated capacity through the lottery process if it is: (i) an Affiliate of a Regular Shipper; or (ii) an Affiliate of another Shipper who received an allocation through the lottery process. Detailed procedures regarding Seaway's lottery process are outlined in Rule 25.

## **RULES AND REGULATIONS (Continued)**

### **PRORATIONING (continued)**

- (iii) Any remaining Available Capacity after steps (i) and (ii) will be allocated, on a non-discriminatory basis to Nominations of the following, in the following order: Make-Up Volumes (excluding any Make-Up Volumes that are Carrier Force Majeure Credit Volumes); then, Carrier Force Majeure Extended Volumes; last, Carrier Force Majeure Credit Volumes.
- (iv) Any remaining Available Capacity not allocated through the application of steps (i) through (iii) shall be allocated pro rata (based on original Nominations, excluding Nominations of volumes described in clause (iii) of this Rule 17(b)) among all Shippers, or if the lottery is in effect, among all Shippers successful in the lottery, having remaining tenders (and if the allocation to any Shipper pursuant to this clause (iv) exceeds its remaining tender, the excess will be allocated among all other remaining tenders until the remaining Available Capacity is fully allocated or all of the remaining tenders have been fulfilled).
- (c) No individual Shipper Nomination shall be considered beyond the physical capacity of the Pipeline. Furthermore, no individual New Shipper Nomination shall be considered beyond 10% of the Available Capacity of the Pipeline. Nominations in excess of these limits will be reduced accordingly.
- (d) Once the Carrier has determined the capacity allocated to each Shipper for a given month under the provisions stated herein, it shall provide notice to each Shipper of its allocated capacity for the month. If any Shipper fails to tender volumes (excluding any Committed Volumes and Make-Up Volumes) during the Month equal to one hundred percent (100%) of its Binding Nomination for that month, that Shipper shall pay to the Carrier, in the aggregate, the tariff charge for one hundred percent (100%) of the Binding Nomination.
- (e) Any Committed Shipper to whom notice has been given pursuant to Section 8.2.2. of the TSA shall not be deemed a "Committed Shipper" for the purposes of this Rule 17(a).

### **18. REQUESTED CHANGE BY THE SHIPPER**

- (a) Subject to the operating conditions of the facilities of the Carrier, the Carrier may upon the written request of a Shipper, allow a Shipper to change:
  - i. the designated volume and type of its Crude Petroleum that will originate on the Pipeline at the Receipt Point; or
  - ii. the designated volume and type of its Crude Petroleum to be delivered to a Delivery Point.

### **19. INLINE CHANGE IN OWNERSHIP**

- (a) Notice of change in ownership of Crude Petroleum shall be recognized and recorded only where such Crude Petroleum entered the Carrier's system and only on a monthly basis. Statements denoting ownership transactions shall be provided to the applicable transferors and transferees. The Carrier shall not provide any information as to the quality of the Crude Petroleum subject to changes in ownership except for gravity on current Receipts when requested. Each transferor shall be charged a  $\frac{3}{4}$  of a cent per Barrel (which will be applied on a separate invoice) for recognizing and recording the change in ownership and, if required shall pay said charge prior to the recognizing and recording of such change. The transferor, at the Carrier's option, shall provide an irrevocable letter of credit satisfactory to the Carrier prior to such recognizing and recording. The recognition by the Carrier of a change in ownership of Crude Petroleum requires the recording thereof, and the Carrier is entitled to a lien for all such charges and fees.

## **RULES AND REGULATIONS (Continued)**

### **INLINE CHANGE IN OWNERSHIP (Continued)**

- (b) The Carrier shall not be obligated to recognize and record changes in ownership of Crude Petroleum during any operating month unless the transferor and transferee requesting the Carrier to recognize and record the change in ownership shall, each, on or before the 15th day of the preceding calendar month provide written notice to the Carrier containing like data relative to the kind quantity, source, location, transferor and transferee of the Crude Petroleum. The Carrier shall not be obligated to accept any modification in said notice unless confirmed in writing by the transferor and transferee on or before the last day of the calendar month proceeding the operating month.
- (c) When the quantity of the Crude Petroleum received during the operating month is not equivalent to the quantity of the Crude Petroleum subject to the notice of change in ownership, the Carrier shall not be required to recognize and record the change in ownership beyond the extent of the quantity received.
- (d) A notice of change in ownership of Crude Petroleum shall be deemed: (1) a warranty that the transferor has unencumbered title to the Crude Petroleum identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain Standard Time) on the first day of the operating month.
- (e) The Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Crude Petroleum.
- (f) A transfer of a Shipper's rights and obligations under this Rule 19 respecting its Crude Petroleum will not be binding or effective on the Carrier until the Carrier has provided a notice of acceptance to the transferor and transferee. The Carrier will not provide a notice of acceptance of a transfer until such time as the transferee has satisfied the Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by the Carrier in accordance with Rule 22 of this tariff.

### **20. ADVERSE CLAIMS AGAINST CRUDE PETROLEUM**

- (a) A Shipper shall not Nominate or deliver to the Carrier Crude Petroleum which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 10(b)) or charge of any kind unless the Shipper provides written notification to the Carrier of such litigation, dispute, lien or charge not less than twenty (20) days before such Nomination is made to the Carrier.
- (b) The Carrier shall not be obligated to accept Crude Petroleum that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 10(b)) or charge of any kind.
- (c) A Shipper shall advise the Carrier in writing if, at any time while the Shipper's Crude Petroleum is in the possession of the Carrier, such Crude Petroleum becomes involved in litigation, the ownership of such Crude Petroleum becomes in dispute or such Crude Petroleum becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 10(b)) or charge of any kind.
- (d) A Shipper shall, upon demand from the Carrier, provide a bond or other form of indemnity satisfactory to the Carrier protecting the Carrier against any liability or loss that may arise as a result of such Shipper's Crude Petroleum that is involved in litigation, the ownership of which may be in dispute, or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 10(b)) or charge of any kind. If the Shipper fails to provide such bond or other form of indemnity acceptable to the Carrier, the Carrier will not be obligated to accept such Shipper's Crude Petroleum for transportation.

## **RULES AND REGULATIONS (Continued)**

### **21. CLAIMS, SUITS, AND TIME FOR FILING**

- (a) As a condition precedent to recovery for loss, damage, injury or delay, a Shipper shall advise the Carrier in writing of any claim for delay, damage, injury or loss resulting from the transportation of such Shipper's Crude Petroleum by the Carrier within nine months of delivery of such Crude Petroleum by the Carrier or, in the case of a failure to make delivery, then within nine months after a reasonable time for delivery has elapsed.
- (b) A Shipper shall institute any action arising out of any claim against the Carrier within two years from the date that written notice is given by the Carrier to such Shipper that the Carrier has disallowed such claim or any part of such claim.
- (c) If a Shipper fails to comply with the provisions of paragraph (a) or paragraph (b) of Rule 21 of this tariff, then such Shipper waives all rights it has to bring an action against the Carrier with respect to such claim.

### **22. FINANCIAL ASSURANCES**

- (a) At any time, upon the request of the Carrier, any prospective or existing Shipper shall provide information to the Carrier that will allow the Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Shortfall Payments, charges for deficient Working Stock and negative Shipper's balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to the Carrier within ten (10) days of the Carrier's written request, or if the Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Shortfall Payments, charges for deficient Working Stock, and the reasonably determined value of negative Shipper's balance positions.
- (b) Subject to the provisions of Rule 22(c), the Carrier, upon notice to Shipper, may require one or more of the following Financial Assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to the Carrier, to be provided at the expense of Shipper:
  - i. prepayment;
  - ii. a letter of credit in favor of the Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to the Carrier, in a form and from a financial institution acceptable to the Carrier;
  - iii. a guaranty in an amount sufficient to ensure payment of all such costs and charges that could reasonably accrue due to the Carrier, in a form and from a third party acceptable to the Carrier; or
  - iv. other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to the Carrier ("the Financial Assurances").
- (c) In the event the Carrier reasonably determines that:
  - i. the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
  - ii. any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of Shipper's obligations that could arise under the terms of this tariff; or
  - iii. the Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from

## **RULES AND REGULATIONS (Continued)**

### **FINANCIAL ASSURANCES (Continued)**

Shipper

then Shipper shall provide Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of Shipper's Crude Petroleum by the Carrier. For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to the Carrier under this tariff, those charges and costs shall include transportation charges, Shortfall Payments, charges for deficient Working Stock, and negative Shipper's balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to the Carrier within ten (10) days of Shipper's receipt of the Carrier's written request for such Financial Assurances.

### **23. DUTY OF CARRIER**

The Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

### **24. INTERPRETATION**

- (a) Unless otherwise expressly specified herein, (i) defined terms in the singular will also include the plural and vice versa, (ii) the words "hereof", "herein", "hereunder" and other similar words refer to this tariff as a whole, and (iii) references to Rules are to the Rules in this tariff.
- (b) The captions in this tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this tariff.
- (c) Unless the context otherwise requires, "including" means "including without limitation".

### **25. LOTTERY PROCESS**

Carrier will administer a lottery process in order to allocate capacity to New Shippers pursuant to Rule 17(b), as follows:

- (a) Carrier will use a random number generating software 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);
- (b) Each allotment of capacity subject to the lottery shall be equal to the Minimum Volume;
- (c) The New Shipper assigned number one will receive the first Minimum Volume allocation. Thereafter, Minimum Volume allocations will be assigned to New Shippers sequentially, from lowest assigned number to highest assigned number, until the 10% of Available Capacity referenced in Rule 17 is fully allocated; and
- (d) Following the lottery, Carrier will notify Shippers as to whether or not they were allocated capacity for the applicable month.

## RATES

[U] All rates on this page are unchanged unless otherwise indicated.

ITEM NO. 30		UNCOMMITTED RATES <sup>(1)</sup> (Rates in Dollars per Barrel of 42 U.S. Gallons each)					
Receipt Point		Delivery Points					
		Group 1*					
		Light Crude		Heavy Crude			
Cushing (Lincoln County), Oklahoma		[D]1.6182		[D]1.9037			
ITEM NO. 40		COMMITTED RATES <sup>(2)</sup> (Rates in Dollars per Barrel of 42 U.S. Gallons each)					
Receipt Point		Delivery Points					
		Group 1*					
		Light Crude		Heavy Crude			
Cushing (Lincoln County), Oklahoma		Contract Term & Committed Volumes (bpd)		5 Year	10 Year	5 Year	10 Year
		0 to 99,999	A	3.13	2.83	3.69	3.41
			B	3.41	3.13	3.97	3.69
		100,000 and above	A	---	2.27	---	2.68
			B	---	2.55	---	3.13
Power Charge		0.06					

- (1) The Uncommitted Rates are also applicable to volumes nominated by a Committed Shipper in excess of its Committed Volume.
- (2) The Committed Rate applies to Committed Volumes Nominated by Committed Shippers in accordance with this tariff:
  - A – Base Committed Shipper has executed a TSA as of November 7, 2011.
  - B – Incremental Committed Shipper has executed a TSA as of February 10, 2012.
- (3) The applicable 5 year Committed Rate applies to the committed volumes of shippers that entered into transportation services agreements with respect to the Gulf Coast Access project pursuant to the terms of the open commitment periods that commenced on October 3, 2011 and January 4, 2012, until the in-service date of the Gulf Coast Access project; although, such shippers are not Committed Shippers for the purposes of rules 8 or 17.
- (4) Committed Shippers will pay the sum of the applicable rate and power charge.

\*Group 1 - Includes the following locations:

ECHO Terminal (Harris County), Texas  
 Seaway Freeport (Brazoria County), Texas  
 Nederland (Jefferson County), Texas  
 Enterprise Katy (Harris County), Texas  
 Phillips 66 Refinery Sweeny (Brazoria County), Texas

## ROUTE DIRECTORY

Rates in tariff apply via all routes made by use of Carrier's lines.



## **EXPLANATION OF REFERENCE MARKS**

- [D] Decrease
- [W] Change in wording only
- [U] Unchanged rate