

SAN PABLO BAY PIPELINE COMPANY LLC

RULES AND REGULATIONS TARIFF

APPLYING ON THE GATHERING AND TRANSPORTATION OF

CRUDE PETROLEUM

BY PIPELINE

Carrier will accept and transport Crude Petroleum offered for transportation through Carrier's facilities only as provided in this Rules and Regulations Tariff, except that specific rules and regulations published in individual tariffs making reference hereto will take precedence over the general rules and regulations in this tariff.

The Rules and Regulations published herein shall apply only under tariffs making specific reference by California P.U.C. number to this tariff; such reference will include supplements hereto and successive issues hereof.

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

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RULES AND REGULATIONS

5. DEFINITIONS

API – American Petroleum Institute.

API Gravity – Gravity, corrected to 60°F, determined in accordance with ASTM designation and expressed in degrees API.

Assay – A laboratory analysis of Crude Petroleum to include API Gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at various temperatures, nitrogen, Total Acid Number (TAN), carbon residue, metals, hydrogen sulfide, salt, distillation, wax, organic chlorides, and other characteristics as may be required by Carrier.

ASTM – American Society for Testing Materials.

Barrel – Forty-two (42) United States gallons of Crude Petroleum at a temperature of sixty degrees (60°) Fahrenheit and zero psig.

Barrels per Calendar Day (BPCD) – The flow rate measured by the total number of Barrels transported over a calendar month divided by the number of days in the month.

Barrels per Stream Day (BPSD) – The flow rate measured by the number of Barrels transported over a 24-hour period where the flow is continuous over the period.

Carrier – San Pablo Bay Pipeline Company LLC

Common Stream – Crude Petroleum moved through Carrier's pipeline and pipeline facilities which is commingled or intermixed with Crude Petroleum of like quality and characteristics based on Crude Petroleum Assays and other pertinent analytical data. Common Streams shall be defined and transported in accordance with Items 10 and 15. As specified below, Carrier will transport three Common Streams: SJVH, SJVL, and LDC.

Confirmed Nomination – The minimum volume each Shipper is obligated to ship in the Current Month and Forward Nomination Month One once the Carrier accepts the nominations.

Connecting Carrier – A connecting pipeline company as named or referred to herein. Connecting carriers can either deliver to or receive from Carrier.

Consignee – The party to whom a Shipper has ordered the delivery of Crude Petroleum.

CPUC – The California Public Utilities Commission.

Crude Petroleum – The direct liquid hydrocarbon production from oil or gas wells, in its natural form, including S&W contained therein or mixture thereof, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value of adaptability to refining. The following grades of Crude Petroleum will be accepted for transportation as provided in this Tariff: SJVH, SJVL, SJVB, LDC, DCB, and Segregated Batches.

Current Month – The first month following the final nomination deadline. For example, if a Shipper desires to ship during May, final nominations are due in April and May is considered the Current Month.

Cure Period – The 24 hour period in which Shippers may make adjustments to their re-nominated volumes to produce a final adjusted nomination following notification from Carrier that the total combined re-nominations are less than the pipeline Minimum Operating Requirements.

Domestic Crude Blend (DCB) – Custom blend of Crude Petroleum produced through in-line or in-tank blending of Light Domestic Crude (LDC) and San Joaquin Valley Light (SJVL) or Light Domestic Crude (LDC) and San Joaquin Valley Heavy (SJVH). DCB shall not be deemed a Segregated Batch. DCB may only be shipped north of Coalinga to meet the maximum API, RVP or other requirements for safe operation of the pipeline and destination facilities.

Forward Nomination Month One – The first month after the Current Month.

Indirect Liquid Products – Liquid products resulting from operation in oil or gas fields of natural gasoline recovery plants, gas recycling plants or condensate or distillate recovery equipment, or a mixture of such products; often referred to simply as “indirect products.”

Light Domestic Crude (LDC) - Common Stream Crude Petroleum produced domestically within the United States having an API Gravity between 30° and 45°. The API Gravity of the LDC Common Stream north of Coalinga may be reduced by the Carrier by blending SJVL or SJVH into the LDC, if needed, to meet the maximum API Gravity of LDC for safe operation of the pipeline.

Minimum Operating Requirements – The minimum volume necessary to support physical flow and maintain hydraulics to operate each segment of the pipeline, and provide the heated oil service consistent with Item 55.1. Currently, Carrier states that the minimum flow rates for the segments are:

Minimum Flow chart by season in thousand barrels per day (kbpd)			
	Winter	Fall/Spring	Summer
Station 36/Bakersfield Tank Farm to Carneras Station	24	24	24
Station 31 to Olig Station	14	14	14
Olig Station to Carneras Station	18.5	18.5	18.5
Carneras Station to Coalinga Station	60	60	60
Coalinga Station to Avon	107	93	80
Seasonal temperature, rainfall, and crude viscosity averages are used to determine the minimums outlined herein and are modeled approximations for minimum flow required to sustain system hydraulics for shipment of neat SJVB.			
Seasons are defined from predictive modeling with three ground temperatures:			
55 degrees Fahrenheit - Winter conditions (Months - Dec*, Jan, Feb, March*)			
65 degrees Fahrenheit - Spring/Fall conditions (Months - April*, May, June, Oct*, Nov*)			
75 degrees Fahrenheit - Summer conditions (Months - July*, Aug, Sept*)			
*Cusp months may overlap assumed climate zones listed			

Net Barrel – Forty-two (42) United States gallons of Crude Petroleum at a temperature of sixty degrees (60°) Fahrenheit, zero psig and no sediment and water.

OCS – Crude Petroleum produced on the California Outer Continental Shelf. OCS will be accepted for transportation as a Segregated Batch only.

PSIA – Pounds per square inch absolute.

PSIG – Pounds per square inch gauge.

Regular Shipper – A Shipper having a record of shipments for a minimum of four of the prior six months in a line segment.

S & W – Sediment and water.

San Joaquin Valley Heavy (SJVH) – Common Stream Crude Petroleum produced within the San Joaquin Valley and the San Ardo Field with an approximate API Gravity of 13.5° and sulfur content of less than 2.3 weight percent. SJVH does not include Outer Continental Shelf (OCS) type Crude Petroleum, and OCS shall not be included in any Common Stream SJVH.

San Joaquin Valley Heavy Blend (SJVH) – Custom blend of Crude Petroleum produced through in-line or in-tank blending of Common Stream SJVH and Common Stream SJVL. SJVB shall not be deemed a Segregated Batch. SJVB shall not include OCS type Crude Petroleum, and OCS shall not be included in any SJVB.

San Joaquin Valley Light (SJVL) – Common Stream Crude Petroleum produced within the San Joaquin Valley with an API Gravity 20.0° to 40.0°, and sulfur content of less than 1.50 weight percent. This definition expressly excludes crudes not produced in the San Joaquin Valley, such as OCS. SJVL does not include OCS type Crude Petroleum and OCS shall not be included in any Common Stream SJVL. The API Gravity of the SJVL Common Stream north of Coalinga may be reduced by the Carrier by blending SJVH into the SJVL, if needed, to meet the maximum API Gravity of SJVL for safe operation of the pipeline.

Segregated Batch – A Tender of Crude Petroleum having specific identifiable characteristics that is moved through pipeline facilities so as to maintain its identity. SJVH, SJVL, and SJVB (a blend of Common Stream SJVH and Common Stream SJVL), and any other blend or mixture of two or more grades or types of Crude Petroleum shall not be deemed a Segregated Batch.

Shipper – A party who contracts with Carrier for transportation of Crude Petroleum, as defined herein and under the terms of this tariff, and who is recognized as having title to Crude Petroleum in Carrier's custody.

Tender – A nomination by a Shipper to Carrier of a stated quantity and grade of Crude Petroleum for transportation from a specified origin or origins to a specified destination or destinations in accordance with these rules and regulations.

True Vapor Pressure (TVP) – The partial pressure exerted by a vapor when it is in equilibrium with its liquid phase in a closed system, is difficult to measure in complicated mixtures such as crude oils. Therefore, the TVP in most cases is calculated from the Reid Vapor Pressure and the actual temperature. The Reid Vapor Pressure can be determined for crude oils by ASTM D-33 (preferred method) or by ASTM D-6377 or ASTM D-5191.

10. ESTABLISHMENT OF QUALITY

Carrier will, from time to time, determine the quality of Crude Petroleum it will regularly transport in a Common Stream between particular origin points and destination points on its trunk pipelines. Carrier will provide Common Stream service for SJVH, SJVL, and LDC Crude Petroleum meeting the definitions of SJVH, SJVL, and LDC. Carrier will inform all interested persons of such Crude Petroleum quality upon request by them. Changes in Common Stream quality definitions will be made by new tariff filings. The conditions applying to Common Stream operation are set forth in Item 15.

- A. Carrier will accept for transportation, in a Segregated Batch, Crude Petroleum that does not meet the SJVH, SJVL, and LDC Common Stream quality requirements provided that the conditions set forth in Item 20 are met.
- B. Crude Petroleum which is properly settled shall not exceed 11 psia True Vapor Pressure at the receiving temperature, independent of gravity. One of the following API Gravity options will be used when specifically referenced in the tariff.

Option 1

Crude Petroleum with an approximate API Gravity of 11.0° to 17.0° shall not exceed 5.9 psia True Vapor Pressure, shall not contain more than three percent (3%) of S&W and other impurities, and shall have a temperature not less than one hundred fifty degrees (150°) Fahrenheit and a maximum temperature that may be established by Carrier, which shall in no case be less than one hundred eighty degrees (180°) Fahrenheit unless limited by Carrier's facilities, in which case, this exception will be communicated in writing to all affected Shippers. For each one-tenth percent (0.1%) the S&W content of the Crude Petroleum received exceeds three percent (3.0%), Shipper shall incur a penalty of four cents **[U]**(\$0.04) per Barrel.

Option 2

Crude Petroleum with an approximate API Gravity of 17.0° to 40.0° shall not exceed 9.2 psia True Vapor Pressure, shall not contain more than three percent (3%) of S&W and other impurities, and shall have a temperature not in excess of one hundred twenty degrees (120°) Fahrenheit. For each one-tenth percent (0.1%) the S&W content of the Crude Petroleum received exceeds three percent (3.0%), Shipper shall incur a penalty of four cents **[U]**(\$0.04) per Barrel.

Option 3

Crude Petroleum with an approximate API Gravity of 11.0° to 17.0° shall not exceed 2.5 psia True Vapor Pressure, shall not contain more than three percent (3%) of S&W and other impurities, and shall have a temperature not less than one hundred fifty degrees (150°) Fahrenheit and a maximum temperature that may be established by Carrier, which shall in no case be less than one hundred eighty degrees (180°) Fahrenheit unless limited by Carrier's facilities, in which case, this exception will be communicated in writing to all affected Shippers. For each one-tenth percent (0.1%) the S&W content of the Crude Petroleum received exceeds three percent (3.0%), Shipper shall incur a penalty of four cents **[U]**(\$0.04) per Barrel.

Option 4

Crude Petroleum with an approximate API Gravity of 30.0° to 45.0°, shall not exceed 10.2 psia True Vapor Pressure, shall not contain more than three percent (3%) of S&W and other impurities, and shall have a temperature not in excess of one hundred degrees (100°) Fahrenheit. For each one-tenth percent (0.1%) the S&W content of the Crude Petroleum received exceeds three percent (3.0%), Shipper shall incur a penalty of four cents [U] (\$0.04) per barrel.

The vapor pressures in the Options above are dictated by permits and shall be adjusted when and if such permits require changes.

- C. Carrier reserves the right to reject Crude Petroleum containing more than three percent (3%) of S&W, provided, however, that where delivery is being made to a Connecting Carrier, the S&W limitations of the Connecting Carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the Connecting Carrier will be applied.
- D. If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including, but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, and any other contaminants such as those defined in Item 25B, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time quality specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking its pipeline system, if Shipper cannot receive the contaminated crude. Disposal of such contaminated crude, if necessary, may be made in any reasonable commercial manner, and any costs, expense, damages or liability associated with the contamination of or disposal of any contaminated Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's system.
- E. Before Carrier will accept Tenders from a potential Shipper seeking to transport Crude Petroleum on Carrier's system, such potential Shipper must first provide to Carrier a complete, industry-accepted Assay of the Crude Petroleum it intends to ship. Carrier shall have the right to make the Assay available to other Shippers of the same common stream upon request. Submission of the whole crude Assay to Carrier is evidence of the potential Shipper's consent to release the Assay to other Shippers or potential Shippers
- F. No Crude Petroleum will be accepted for transportation unless its gravity, sulfur, viscosity and other characteristics are such that it will be readily susceptible to transportation through Carrier's existing facilities and will not materially affect the quality of other shipments or cause damage to other

Shippers' shipments and/or Carrier's system.

15. COMMON STREAM OPERATION

- A. Carrier shall make a good faith effort to ensure that the quality of the SJVH, SJVL, and LDC Common Streams is maintained. Because of commingling that takes place in Common Streams, all Shippers will be required to participate in, and Carrier shall be responsible for administering, the quality banks as defined in Item 150. Unless quality degradation is caused at least in part by actions or inactions of Carrier, other than the administration of the quality banks, Carrier shall have no responsibility in, or for, any revaluations, administration or settlement which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the receipt and delivery of such shipments by Carrier within the same Common Stream.
- B. Carrier will transport SJVH, SJVL, and LDC Crude Petroleum as Common Streams.
- C. Crude Petroleum will be accepted for transportation only on condition that it may be subject to such changes in gravity or quality while in transit as would result from its mixture with other Crude Petroleum in the Common Stream or tanks of the Carrier. Carrier shall be under no obligation to deliver the identical petroleum received and may make delivery out of the Common Stream.
- D. San Joaquin Valley crudes that are introduced to the pipeline in a location where segregated facilities for both SJVH and SJVL cannot be made available and does not meet the Common Stream API Gravity definition for the Common Stream specifications at the nearest pipeline origin may be deemed SJVH or SJVL by a simple majority vote of the Regular Shippers, counting all affiliated Shippers as one Regular Shipper, provided the Crude Petroleum sulfur content is within the Common Stream definition.
- E. North Shafter Crude Petroleum will be injected into the SJVH Common Stream.

20. SEGREGATED BATCH OPERATIONS

- A. Carrier will accept Crude Petroleum which differs in quality and other characteristics from Carrier's SJVH, SJVL and LDC Common Streams, provided that:
 - 1. Carrier has facilities available to segregate such Crude Petroleum while in transit and at the destination, and
 - 2. Subject to Item 85, Carrier shall not be liable to Shipper or Consignee for changes in the quality of such grade of Crude Petroleum while in transit, and

3. For Segregated Batches with sulfur content less than 2.3 weight percent, the interface between such batches shall be allocated equitably between those shipments that precede and follow the interface.
 4. For Segregated Batches with sulfur content greater than 2.3 weight percent, the Shipper is required to provide a suitable buffer to be wrapped around a Segregated Batch for protection of quality of the Common Streams. The buffer shall be provided by the Shipper requesting the Segregated Batch and nominated as such as part of the normal nomination process. The buffer Crude Petroleum must contain less than 2.3 weight percent sulfur.
 5. For Segregated Batches with sulfur content less than 2.3 weight percent, any Shipper may request that a buffer be wrapped around a Segregated Batch for protection of quality or for operational purposes. The buffer shall be provided by the Shipper requesting the Segregated Batch and nominated as such as part of the normal nomination process. The buffer Crude Petroleum must contain less than 2.3 weight percent sulfur.
- B. Once Minimum Operating Requirements are met through Confirmed Nominations to maintain heated service, Carrier may offer to Shippers delivery of SJVB, originating in Coalinga to final destination. Shipment of SJVB south of Coalinga is prohibited.
- C. Once Minimum Operating Requirements are met through Confirmed Nominations to maintain heated service, Carrier may offer to Shippers delivery of DCB, originating in Coalinga to final destination. Shipment of DCB south of Coalinga is prohibited.

25. INDIRECT LIQUID PRODUCTS

- A. Carrier will not accept Indirect Liquid Products of oil or gas wells, including natural gasoline and natural gas liquids.
- B. Carrier will not accept blends of Crude Petroleum containing any of the following: waste oils, lube oils, crankcase oils, PCBs, dioxins, organic chlorides or other chemical compounds that are not natural to crude oil.

30. ADDITIVES

Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, or other such additives in Crude Petroleum to be transported.

35. STORAGE

Carrier has working tanks incident to transportation of Crude Petroleum, and unless otherwise specifically provided for in a separate tariff item, Carrier does not offer separate storage service.

40. RECEIPT FACILITIES REQUIRED

- A. Carrier will not provide storage facilities at origin points unless specifically provided in a separate tariff item. Carrier will provide access to existing truck unloading racks and Lease Automated Custody Transfer (LACT) units at origin points for all Shippers. A usage fee for each location established pursuant to a tariff duly filed with the CPUC, in addition to the published Crude Petroleum pipeline transportation rate on file at the CPUC, will be applied to Crude Petroleum delivered into the pipeline via truck rack. Carrier will receive Crude Petroleum from Shippers at origin points at which Shipper has transportation or storage rights. Crude Petroleum will be received from pipelines, tanks, truck racks, or other facilities. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities meet Carrier and industry standards.

- B. Where Crude Petroleum to be shipped requires transportation in a Segregated Batch, Shippers or Consignees shall be responsible for providing tankage to meet minimum Tender requirements as provided in Item 65 hereof at a point where Carrier facilities are available for receipt and transportation of such Crude Petroleum batches.

45. DESTINATION FACILITIES REQUIRED

- A. The Carrier will not provide storage facilities at destination points unless specifically provided in a separate tariff item. Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that the Shipper, or Consignee, has provided the necessary facilities for the prompt receiving of said Crude Petroleum batches.

- B. If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at destination, Shipper or Consignee shall provide alternate arrangements and notify Carrier regarding the disposition of crude. Carrier will make reasonable efforts to carry out reasonable arrangements

for alternate delivery. Any additional expenses incurred by Carrier and any applicable demurrage charges as specified in Item 50 in making such alternative arrangements shall be borne by the Shipper, or Consignee. In the absence of reasonable efforts to provide alternate arrangements by Shipper, Carrier reserves the right to make those arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper, or Consignee. Carrier shall not be responsible for any reasonable losses sustained by Shipper, or Consignee, due to Carrier making other arrangements for the disposition of the Crude Petroleum.

50. NOTICE OF DELIVERY, DEMURRAGE

Within 48 hours after nominations have been accepted and confirmed by Carrier, Carrier will provide a delivery schedule to each destination for the calendar month corresponding to the Current Month nominated volumes. Carrier may, at any time after receipt of a consignment of Crude Petroleum, amend the delivery schedule with 24-hour notice to Shipper or Consignee and begin delivery of Crude Petroleum at Carrier's then current rate of pumping consistent with system capacity. Commencing at seven o'clock a.m. (Pacific Time), after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee. Provided, however, demurrage will only be charged if alternative arrangements for delivery cannot be made by Shipper or Consignee. The demurrage charge will be three cents **[U]**(\$0.03) per Barrel per day for each day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for delivery but not taken by Shipper or Consignee shall be that of warehouseman only.

55. NOMINATIONS

A. All Shippers and Consignees desiring to ship or receive Crude Petroleum through the pipelines of Carrier shall nominate SJVH, SJVL, LDC, and Segregated Batches only. After Minimum Operating Requirements for continuous flow have been met, any Shipper or Consignee may request that all or part of its nomination of SJVH, SJVL, and LDC be delivered as SJVB or DCB. After Minimum Operating Requirements have been nominated, Carrier will notify SJVL Shippers of the maximum allowable delivery API Gravity for the pipeline segment from Coalinga to Avon in a manner that would not impact safe operations of the pipeline. Carrier will deliver up to the maximum operable API Gravity SJVL from Coalinga to Avon, if necessary, by blending SJVH into the SJVL Common Stream north of Coalinga, and Carrier will require the SJVL Shipper to nominate sufficient SJVH to meet such maximum operable API Gravity requirements. Similarly, after Minimum Operating Requirements have been nominated, Carrier will notify LDC Shippers of the maximum allowable delivery API Gravity for the pipeline segment from Coalinga to Avon in a manner that would not

impact safe operations of the pipeline. Carrier will deliver up to the maximum operable API Gravity LDC from Coalinga to Avon, if necessary, by blending SJVH or SJVL into the LDC Common Stream north of Coalinga, and Carrier will require the LDC Shipper to nominate sufficient SJVH or SJVL to meet such maximum operable API Gravity requirements.

- B. All Shippers shall provide Carrier, through its website nomination process (or in writing, until the website nomination process is in place), with the following information required by Carrier to schedule and dispatch each shipment of Crude Petroleum: the kind, quantity, origin point, sequence of delivery, destination point and Shipper of each proposed crude shipment. All Nominations must contain a final destination point to be accepted. Nominations must be received by the final nomination deadline. The final nomination deadline is 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the twentieth (20th) day of the month preceding desired shipping month. When the twentieth (20th) of the month falls on a weekend or holiday, Nominations will be required prior to 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding workday. Carrier will inform Shippers of Carrier holidays at the time they become Shippers and thereafter by December 15 of the preceding year.
- C. Nominations or changes in nominations received after the final nomination deadline will be accepted only in writing and only if space is available and the additional or changed nominations do not impair the movement of crude nominated prior to the final nomination deadline.
- D. In addition to the above, Shippers will nominate according to the following rolling bimonthly nomination process to ensure the Minimum Operating Requirements for continuous flow are nominated and to allow Shippers adequate time to re-nominate if the Minimum Operating Requirements for continuous flow are not met.
- For purposes of implementation of nominations under this tariff, Carrier assumes the nominations for the initial Current Month meets the Minimum Operating Requirements for continuous flow. As the example will show, as nominations roll forward, the Forward Nomination Month One Confirmed Nomination will become the Current Month minimum nomination.
1. Carrier will accept nominations for the Current Month and Forward Nomination Month One in accordance with Item 55A.
 2. If nominations are equal to or greater than the Minimum Operating Requirements for continuous flow, each Shipper's Forward Nomination Month One is a Confirmed Nomination, and Carrier will notify Shippers that nominations are accepted. If nominations for the Forward Nomination Month One are less than the Minimum Operating Requirements for

continuous flow, Carrier will notify Shippers, and Shippers will have 48 hours to re-nominate Forward Nomination Month One.

3. If the re-nominated shipments are greater than the Minimum Operating Requirements for continuous flow, Carrier will notify Shippers that nominations are accepted, and each Shipper's Forward Nomination Month One becomes a Confirmed Nomination.
4. If the re-nominated shipments are less than the Minimum Operating Requirements for continuous flow, Carrier will notify Shippers of the shortfall, and Shippers will have 24 hours to cure the Minimum Operating Requirements for continuous flow by adjusting their final nominations.
5. If the final adjusted nominations are greater than the Minimum Operating Requirements for continuous flow, Carrier will notify Shippers that nominations are accepted, and each Shipper's final adjusted nomination for Forward Nomination Month One becomes a Confirmed Nomination.
6. In the event that the final adjusted nominations for Forward Nomination Month One are below the Minimum Operating Requirements for continuous flow, Carrier will notify Shippers of non-continuous operation and will make best efforts to deliver the nominated volumes on a non-continuous basis, i.e., the pipeline will perform intermittent shutdowns as needed to reduce the average pipeline deliveries to the nominated volumes.
7. If the final adjusted nominations are less than the Minimum Operating Requirements for continuous flow, all future nomination increases to Forward Nomination Month One in excess of 110% of the final adjusted nominations by any Shipper whose final adjusted nomination is less than that Shipper's actual average shipments over the three prior calendar months are subject to penalty of 100% of the posted tariff on file with the CPUC. Penalties charged to Shippers in a given month are credited to all Shippers not subject to the penalty.

Example 1:

Assume the Minimum Operating Requirement for continuous flow from Coalinga to Avon is 140,000 BPSD and nominations are due for June business. June is the Current Month, and July is the Forward Nomination Month One. Total Shipper nominations for the Coalinga to Avon segment are as follows:

June	July
150,000	120,000

Carrier will notify Shippers as follows:

- a. Nomination for the Current Month is accepted and becomes a Confirmed Nomination;
- b. July nomination is short by 20,000 Barrels per day.

- c. Shippers are notified that July nominations are not accepted and are asked to re-nominate July volumes. Shippers would be able to request deliveries of SJVB in June because nominations would have met the 140,000 BPSD minimum volumes.

Case 1: Total July re-nomination of 140,000 BPD

Since the total July Shipper re-nominations for the Coalinga to Avon segment are greater than or equal to the 140,000 Barrels per day segment minimum for continuous flow, Carrier will notify Shippers that their Forward Nomination Month One nominations are accepted and each is a Confirmed Nomination. Carrier would be able to fill any Shipper requests for deliveries of SJVB during July because the 140,000 BPSD minimum volumes were nominated in that month for this mode of operations.

Case 2: July re-nomination of 120,000 BPD

Since the total July Shipper re-nominations for the Coalinga to Avon segment are less than the 140,000 Barrels per day segment minimum for continuous flow, Carrier will notify Shippers of the following:

- a. Total July nominations are short 20,000 BPD.
- b. Shippers are notified they have 24 hours to cure the July minimum pipeline nomination.
- c. Upon expiration of the 24 hour Cure Period, Shippers are notified that their final adjusted nomination (i.e. re-nominated volumes plus any additional nominations during the Cure Period) is subject to penalty for increased nominations for shipment of Barrels in excess of 110% of the total re-nomination plus Cure Period volume, if the Shipper's final adjusted nomination is less than the Shipper's actual average shipments over the prior three calendar months.
- d. Shippers are notified of potential non-continuous service (i.e. possible intermittent pipeline shutdowns) for Forward Nomination Month One. Carrier will make best efforts to develop a feasible operating schedule that meets delivery of Shipper nominations in Forward Month One.

Example 2: (Final adjusted nomination penalty provision)

This example demonstrates the penalty provision associated with the final adjusted nomination process.

The example assumes that total nominations remain below the Coalinga to Avon line segment Minimum Operating Requirement for continuous flow after the Forward Month One nominations, re-nominations, and Cure Period.

Shipper A nominates 20,000 BPD as its original Forward Month One nomination (July). Shipper A nominates 25,000 BPD as its re-nomination for Forward Month One (July). Shipper A adds 5,000 BPD to its nomination

during the Cure Period to produce a final adjusted nomination of 30,000 BPD for Forward Month One (July). Shipper A's actual average shipments over the calendar months of April, May, and June averaged 40,000 BPCD. Shipper A can increase its nomination up to 33,000 BPD prior to and during the Shipment month (July) without penalty. Nominations greater than 33,000 BPD prior to and during the shipment month (July) are subject to penalty of 100% of the filed tariff.

The intent of the penalty provision is to incentivize Shippers to make realistic nominations for the Current Month and Forward Month One and to penalize Shippers who impact the operation of the pipeline and other Shippers by under nominating expected shipments through the nomination, re-nomination, and Cure Periods.

Under this example, July is potentially a non-operating month for the heated oil service, if Carrier cannot accommodate nominated volumes with interruptible service.

- E. Carrier recognizes that the provision of non-discriminatory service to all Shippers is of the utmost importance to pipeline operations and that the interruption of any type of service due to insufficient volume nominations should be a last resort. In the event Carrier believes that it is not operationally feasible to continue heated service on either a continuous or non-continuous basis as a result of insufficient nominations, Carrier shall file an application with the CPUC, on not less than fifteen (15) days' notice to the Shippers, seeking authorization to shut down such heated service on a showing by clear and convincing evidence that there is no reasonable alternative to maintain heated service while protecting the safety of the pipeline and the public.

55.1 MINIMUM OPERATING REQUIREMENTS

- A. Within one (1) month of the effective date of this tariff, Carrier and Shippers shall determine the Minimum Operating Requirements for continuous and non-continuous flow for each system segment based on sound engineering and reasonable assumptions in hydraulic studies performed by Carrier.
- B. Within six (6) months of the effective date of this tariff, and at a minimum every twelve (12) months thereafter, Carrier will develop options for reducing the required Minimum Operating Requirements as established in Item 55.1.A. This will be presented as "step down" options, to cover a range of Minimum Operating Requirements for continuous and non-continuous flow (on the 20-inch northbound segment from Coalinga) to achieve the lowest Minimum Operating Requirements. Carrier will provide the following to Shippers:
 - 1. Description of facility modifications and/or operational changes for each of the "step down" options.

2. Minimum Volume associated with each option, by pipeline segment.
 3. Estimated capital and incremental operating costs (+/- 35%) for each option, by pipeline segment.
 4. Time required implementing each option, by pipeline segment.
 5. Other possible ways to reduce the cost and time to implement the options, including:
 - a. Cost and timing to complete engineering costs for selected options.
 - b. Cost and timing for delivery of major equipment
 - c. Time savings and cost impact of having Item 55.1.B.5.a and Item 55.1.B.5.b completed in advance of the anticipated need.
- C. Prior to Carrier committing to conduct any study, Carrier will inform Shippers of the nature of the proposed study, its estimated costs, timeline for completion, and provide Shippers the opportunity to comment on the proposed study and its cost.
- D. Carrier will organize a Shippers' meeting at least once per calendar year, which will include a discussion of forecast volumes for the foreseeable future. This forecast will then be compared against the "step down" options. Shippers and Carrier will discuss whether any "step down" enhancements should be considered at that time.
- E. Following the discussion at the Shippers' meeting, Carrier will determine what detailed engineering studies to conduct to determine the capital and operating costs to construct and operate new or modified facilities, and Carrier will determine and communicate to the Shippers investment level (+/- 10 percent) estimates as well as required increases in transportation rates in accordance with Item 55.1.G. below.
- F. After receiving any additional Shipper comments with the majority of Regular Shippers, counting all affiliated Shippers as one Regular Shipper, supporting, all Shipper-recommended projects will be deemed to be in the public interest and consistent with Carrier's public utility obligation to serve. Carrier shall thereafter file with the CPUC to proceed with the project(s) and to include the costs of such in rates on an equal cost per Barrel basis for all SJVH, SJVL, SJVB, LDC, DCB, and Segregated Batch shipments north of Coalinga. In the event Carrier determines it will not proceed with a Shipper requested project(s), Shippers may file a complaint with the CPUC for Carrier's refusal to act. In any complaint as to a refusal to proceed with a project, Carrier will have the burden of proof to justify that the Shipper-recommended project should not proceed.
- G. Such cost recovery will not include any administrative fee, processing fee, handling fee, or any similar fee for Carrier's employees' time and expense.

60. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES

- A. When there shall be Tendered to Carrier, for transportation, more Crude Petroleum than can be immediately transported, on a line segment, the transportation furnished by Carrier shall be apportioned among "Regular Shippers" and "New Shippers" as follows:
1. New Shippers will be allocated a total of ten percent (10%) of the available pipeline capacity. If more than one New Shipper has nominated volumes, pipeline space shall be allocated proportionately to each New Shipper in relation to the total nominations by New Shippers, so that the total pipeline capacity allocated for all New Shippers shall not exceed ten percent (10%) of the available pipeline capacity.
 2. The remaining capacity shall be allocated among Regular Shippers in proportion to their base period shipments.
- B. The "base period" is a period of 6 months historical shipments during months the pipeline was in operation, beginning 7 operating months prior to the month of allocation and excluding the month preceding the month of allocation. A "Regular Shipper" is any Shipper having a record of shipments in the line segment being prorated for at least four months during the base period. A "New Shipper" is a Shipper who does not qualify as a Regular Shipper under the above definition, but excludes any Shipper that is an affiliate of any Regular Shipper.
- C. If a line segment is prorated and a Shipper is unable to Tender Crude Petroleum equal to the space allocated to it, the Shipper will be invoiced and will be responsible for payment of any amount equal to the space allocated or the actual volumes delivered, whichever is higher, times the tariff rate.

65. TENDER, MINIMUM QUANTITY

Tenders for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier's system under this tariff in quantities of not less than thirty-five thousand (35,000) Barrels. Nominations for delivery of Tenders of each Common Stream may include aggregated volumes from one or more Shippers as operations permit and provided such Crude Petroleum is of similar quality and characteristics as is being transported from receipt point to destination point. Carrier will accept any quantity of Crude Petroleum from lease tanks or other facilities to which Carrier's facilities are connected if such quantity and quality can be consolidated with other Crude Petroleum such that Carrier can make a single delivery of not less than thirty-five thousand (35,000) Barrels, and Carrier will not be obligated to make any single delivery of less than thirty-five thousand (35,000) Barrels. The term "single delivery" as used herein means a delivery of Crude

Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

70. TITLE

Carrier shall have the right to reject any Crude Petroleum which, when Tendered for transportation, may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind, and Carrier may require of the Shipper satisfactory evidence of the Shipper's perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By Tendering Crude Petroleum, the Shipper warrants and guarantees that it has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation shall not be deemed a representation by Carrier as to title.

75. GAUGING, TESTING AND DEDUCTIONS

- A. All shipments Tendered for transportation to and from Carrier shall be tested, gauged or metered in accordance with API standards, by a representative of Carrier prior to, or at the time of receipt from the Shipper and delivery to Consignee. The Shipper or Consignee shall at all times have the privilege of being present or represented during the testing and shall be notified prior to testing, gauging, or metering; however, failure of a Shipper and Consignee to have a representative present will constitute a waiver, and the Shipper and Consignee shall be bound by the information and data on the tickets.
- B. Corrections will be made to adjust quantities to standard conditions (60 degrees Fahrenheit, zero psig and no S&W) and report volumes in Net Barrels.
- C. A deduction of ten hundredths of one percent (0.10%) for will be made to cover evaporation, interface losses, and normal losses during transportation.
- D. After consideration of all of the factors set forth in this Item 75, a net balance will be determined as the quantity deliverable by Carrier, and transportation charges will be assessed on the net balance.
- E. Any volumetric difference between receipts from Shipper and delivery to Shipper or Consignee during a Current Month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

Any Carrier meter error adjustment must be made within six months of deliveries, or be barred in the absence of fraud, gross negligence, or willful misconduct.

80. EVIDENCE OF RECEIPTS AND DELIVERIES

Crude Petroleum received from Shipper and Crude Petroleum delivered to Consignee shall, in each instance, be evidenced by tickets or Carrier's statements containing data essential to the determination of quantity.

85. LIABILITY OF CARRIER

The Carrier, while in possession of Crude Petroleum herein described, shall not be liable for any loss thereof; damage thereto; or delay caused by act of God, war, act of public enemy, quarantine, the authority of law, strikes, riots, civil disorder, requisition or necessity of the Government of the United States in time of war, default of Shipper or owner, or from any cause not due to the sole negligence or willful misconduct of the Carrier. In case of loss of Crude Petroleum for which Carrier is not responsible, the Shipper shall bear the loss. Where such loss occurs in a tank containing Crude Petroleum which is the property of more than one Shipper, or in a line containing a Segregated Batch of Crude Petroleum which is the property of more than one Shipper, each Shipper shall bear the loss in such proportion as its total volume in said tank or batch bears to the total volume in said tank or batch.

90. DUTY OF CARRIER

Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements, and will not accept Crude Petroleum to be transported in time for any particular market.

95. RATES APPLICABLE

The rate and the rules and regulations that shall apply to the transportation of Crude Petroleum shall be the rate and the rules and regulations in effect on the date Carrier receives the Crude Petroleum for transportation.

100. PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Shipper shall be responsible for payment of transportation and all other charges and costs collectible under this tariff. Crude Petroleum accepted for gathering and/or transportation shall be subject to the rates and charges on file with the CPUC in effect on the date of receipt by Carrier. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to 125% of prime rate as quoted by a major New York bank. Shipper shall be responsible to Carrier for any attorney fees or other costs incurred in connection with the collection of payments due to Carrier by Shipper. Carrier shall have a lien on all Crude Petroleum accepted for transportation to secure the payment of all charges and costs, including demurrage charges and may refuse to make delivery of the Crude Petroleum until all charges have been paid. If said charges and costs, or any part thereof, shall remain unpaid for five days, as computed from the first seven o'clock a.m. after written notice is mailed to Shipper of Carrier's intention to enforce its lien as herein

provided, or when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item 50 within five days, as computed from the first seven o'clock a.m. after expiration of the notice therein provided, Carrier shall have the right through an agent to sell said Crude Petroleum at public auction, for cash, between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after notice of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold has been published in a daily newspaper of general circulation published in the town or city where sale is to be held, and sent by facsimile (or other comparable means) to Shipper. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, charges and costs collectible under this tariff, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency.

105. CLAIMS

- A. Notice of claims for loss or damage in connection with shipments must be made to Carrier or Shipper in writing within nine (9) months and one (1) day after same shall have accrued, or, in case of failure to make delivery, within nine (9) months and one (1) day after a reasonable time for delivery shall have elapsed. Such claims, fully amplified, must be filed with Carrier or Shipper within nine (9) months and one (1) day thereafter, and unless so made and filed, Carrier or Shipper shall be wholly released and discharged there from and shall not be liable therefore in any court of justice unless damages are determined to be by reason of fraud, willful misconduct or negligence. No suit at law or in equity shall be maintained upon any claim unless instituted within two (2) years and one (1) day after the cause of action accrued unless damages are determined to be by reason of fraud, willful misconduct or negligence of the liable party. Carrier or Shipper will determine any such loss or damage on either the basis of volumetric loss or the monetary value of the Crude Petroleum.

- B. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier or Shipper will not be liable and such claims will not be accepted unless damages are determined to be by reason of fraud, willful misconduct or negligence of the liable party.

110. PIPEAGE OR OTHER CONTRACTS

In accordance with the applicable tariff and these rules and regulations in the event construction of new or additional facilities or installation of new equipment or additional equipment is required to accommodate new shipments, separate pipeage and/or other contracts relating to the repayment of costs for equipment that must be added, or physical adjustments that must be made to Carrier's pipeline system in order to accommodate a Shipper's request for service may be required by Carrier before any duty of transportation shall arise.

115. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

For Crude Petroleum accepted for transportation from any point on Carrier's lines not named in a particular tariff which is intermediate to a point from which rates are published therein, through such unnamed point, Carrier will apply from such unnamed point the rate published therein from the next more distant point specified in such tariff. For Crude Petroleum accepted for transportation to any point not named in a particular tariff which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

120. DIVERSION

Diversion may be made without charge if requested in writing by Shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from point of origin to point of final destination, upon the condition that no out-of-line or backhaul movement will be made.

125. INTRASYSTEM TRANSFERS

Transfers of title to Crude Petroleum at non-custody transfer locations will not be recognized by Carrier while in Carrier's custody.

130. LINE FILL AND TANK BOTTOM INVENTORY REQUIREMENTS

Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of Carrier's pipeline system prior to delivery. Carrier will provide detailed calculation of the minimum pipeline and tankage fill for operational requirements to all Shippers for each Common Stream (SJVH, SJVL, and LDC) and Segregated Batch operation. Such pro rata share for Common Stream SJVH, Common Stream SJVL, Common Stream LDC and Segregated Batches shall be calculated every six (6) months and also when either a new Shipper begins shipments or when a Shipper ceases shipments. The pro rata share of the Common Stream SJVH, Common Stream SJVL, Common Stream LDC and Segregated Batches (each grade) shall be equal to the Shipper's previous six month shipments divided by the total shipments of the corresponding grades of Common Stream SJVH, Common Stream SJVL, Common Stream LDC and Segregated Batches (each grade) for the same previous six months. Carrier will

recalculate inventory requirements for all Crude Petroleum grades in January and July of each calendar year and provide the Shippers with a reconciliation of the actual prior six months system inventory to the calculated minimum required inventory for each Crude Petroleum grade. In the case of a Shipper ceasing Shipments of a particular grade, the previous six months total shipments of that grade shall be reduced by the amount the Shipper leaving the system shipped during those six months. In the case of a new Shipper commencing Shipments of a particular grade, the previous six months total shipments of that grade shall be increased by the New Shipper's first month nomination multiplied by six. After the reallocation of each grade has been calculated, each Shipper shall be notified of the inventory requirements for pipeline and tankage fill and shall have two months from the date of nomination to supply any additional inventory requirement. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and Shipper has notified Carrier in writing to discontinue shipments in the Carrier's system, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier, at its discretion, may require advance payment of transportation charges on the volumes to be cleared from Carrier's system, and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time, not to exceed six months, from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal.

135. CHARGE FOR COMPENSATION FUND FEES INCURRED BY CARRIER

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier in connection with transportation of Crude Petroleum, as the result of any Federal, State or Local act or regulation which levies a tax, fee, or other charge, on the receipt, delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for prevention, containment, cleanup and/or removal of spills and/or the reimbursement of parties sustaining loss there from.

140. PUBLIC UTILITIES COMMISSION REGULATION FEES

Carrier is authorized by the CPUC to collect from its Shippers the fee(s) required to be paid pursuant to Public Utilities Code Section 421. Such fee(s) shall be included as a charge on the invoices rendered each month for gathering and transportation charges and shall be due and payable in accordance with Item 100.

145. NEW CONNECTIONS

Connections to Carrier's pipeline(s) will only be considered if made by formal written notification to Carrier and all requests will be subject to the following standards and conditions. All connections will be subject to design requirements necessary to protect the safety, security, and efficient operation of the Carrier's pipeline(s) in accordance with generally accepted industry standards and compliance with governmental regulations.

[C] Cancel

[N] New

[U] Unchanged rate

[W] Change in wording

150. GRAVITY AND SULFUR BANK

1. To assure that no Shipper will be materially damaged or allowed to benefit by changes in gravity and sulfur due to the intermixing of Crude Petroleum in the system, Shippers will be required to participate in Gravity and Sulfur Banks for all Common Stream grades of Crude Petroleum shipped, unless shipped in a Segregated Batch with a buffer on both sides. A fee of [U]0.2 cent per Barrel will be assessed to cover Carrier's costs for administration of the quality for the Shippers
2. Each shipper is required to participate in the gravity and sulfur banks. Each shipper agrees to pay the Carrier the computed adjustments due from said Shipper in accordance with these rules and regulations
3. Carrier shall publish, and from time to time, revise a Gravity Value Table providing for adjustments for the value of crudes of different gravities and sulfur. Said table, and subsequent issues thereof, shall be incorporated by reference into this tariff.
4. The table of gravity differential values per Barrel as attached hereto as Exhibit "A" is incorporated herein and made part of these Rules.
5. Factors in the Gravity Value Table are based on posted crude oil price adjustment scales as published by major posters of California crude oil. Carrier will revise the Gravity Value Table only if there has been an increase or decrease made in a majority of the crude oil price adjustment scales upon which the current Gravity Value Table is based.
6. Upon change, Carrier will provide Shippers with written notice of the new Gravity Value Table on or before the 15th day of the month proceeding the month in which the new Gravity Value Table shall take effect. The effective date of change will be on the first day of the next month.
7. Carrier shall administer the quality banks providing adjustments for the value of the SJVH and SJVL Common Streams with different qualities in the manner specified below for both receipt and delivery volumes:
8. Applicable Barrels and gravities shall be the net Barrels at 60° Fahrenheit (with no deduction for loss allowance). Sulfur analysis to determine weight percent sulfur shall be conducted on the custody transfer composite samples.
9. The weighted average gravity differential value per Barrel (for two or more gravities of Crude Petroleum), as hereinafter referred to, shall be obtained in the following manner: Multiply the differential values per Barrel (from the attached table as same is from time to time revised) by the number of Barrels to which such gravity differential values are applicable and then divide the total of the resultant gravity differential values in dollars and cents by the total of the applicable Barrels.
 - I. Adjustment between Shippers, for both receipt volumes and delivery volumes, shall be computed as follows for each Crude Petroleum grade (Common Streams):
 - A. Compute the weighted average gravity differential value per Barrel of the Barrels received from/delivered to each Shipper.

- B. Compute the weighted average gravity differential value per Barrel for each composite Common Stream for the receipts and deliveries.

Receipt Calculations:

- C. If the weighted average gravity differential value per Barrel of a Shipper as so determined under Paragraph A above shall be greater than the weighted average gravity differential value per Barrel for the aforementioned Common Stream Crude Petroleum as determined under Paragraph B, the difference in cents per Barrel shall be calculated and Shipper shall be credited (receives) an amount calculated by multiplying said difference in gravity differential value per Barrel by the applicable Barrels.
- D. If the weighted average gravity differential value per Barrel of a Shipper is less than the weighted average gravity differential value per Barrel of the aforementioned Common Stream Crude Petroleum, the difference shall be calculated as above outlined and a Shipper debited (pays) for such difference.

Delivery Calculations:

- E. If the weighted average gravity differential value per Barrel of a Shipper as so determined under Paragraph A above shall be greater than the weighted average gravity differential value per Barrel for the aforementioned Common Stream Crude Petroleum as determined under Paragraph B, the difference in cents per Barrel shall be calculated and Shipper shall be debited (pays) an amount calculated by multiplying said difference in gravity differential value per Barrel by the applicable Barrels.
- F. If the weighted average gravity differential value per Barrel of a Shipper is less than the weighted average gravity differential value per Barrel of the aforementioned Common Stream Crude Petroleum, the difference shall be calculated as above outlined and a Shipper credited (receives) for such difference.

II. Sample calculations are attached as Exhibit "B"

- 10. In order to facilitate equitable adjustment among all Shippers for sulfur differentials arising out of Common Stream operations, Carrier or Carrier's authorized representative shall calculate adjustments for the value of Crude Petroleum of different sulfur content in the manner described herein.
 - A. A "Sulfur Value" in \$/wt% S shall be utilized and shall initially be set at \$1.00/wt% S. If desired by Shippers, the Sulfur Value shall be reviewed at the end of each calendar year by an industry consultant. The consultant, if desired by the majority of Regular Shippers, counting all affiliated Shippers as one Regular Shipper, will conduct a study and recommend adjustments to the Sulfur Value as deemed necessary based on a review of oil prices for crudes of like gravity and quality except for sulfur content. The consultant shall perform a regression analysis to determine Sulfur Value for the following year. Since there are insufficient posting in California to perform such a regression, the consultant may consider domestic and foreign crude oil in other regions of the United States to review the Sulfur Value. If the consultant recommends a change to Sulfur Value in the range of \$0.50/wt% S to \$1.50/wt% S, rounded to the nearest \$0.01/wt% S, the Shippers shall adopt this recommendation. If the recommended Sulfur Value is outside of this range, the recommendation shall not be binding on the Shippers, but the recommendation may be adopted by a majority vote of Regular Shippers, counting all affiliated Shippers as one Regular Shipper. If the consultant recommendation is not adopted by a majority of the Regular Shippers, the Sulfur Value will remain unchanged from prior calendar year.

11. At the close of each month, each Shipper's weighted average sulfur content (% S by weight) shall be determined for all Crude Petroleum received from that Shipper into Carrier's Common Stream. Each Shipper's weighted average sulfur content shall be determined by dividing the total number of Barrels received from that Shipper into the sum of the products obtained by multiplying the quantity of Barrels received from that Shipper by the sulfur content per Barrel of the receipt.
12. At the close of each month, the weighted average sulfur content shall be determined for all Crude Petroleum received from all Shippers in Carrier's Common Stream. The weighted average sulfur content per Barrel of the Common Stream will be determined by dividing the total number of Barrels received from all Shippers into the sum of the products obtained by multiplying each receipt volume in such stream by its corresponding sulfur content per Barrel.
13. If the weighted average sulfur content per Barrel of oil received from a Shipper is less than the weighted average sulfur content per Barrel of Carrier's Common Stream, then the Shipper's account shall be credited by an amount which shall be calculated by:
 - (a) multiplying the differences in sulfur content per Barrel by the total Barrels received from such Shipper during the month: and,
 - (b) multiplying the result in (a) by the "Sulfur Value" referred to in Item 150.10.A.
14. If the weighted average sulfur content per Barrel of oil received from a Shipper is more than the weighted average sulfur content per Barrel of Carrier's Common Stream, then the Shipper's account shall be debited by an amount which shall be calculated by:
 - (a) multiplying the differences in sulfur content per Barrel by the total Barrels received from such Shipper during the month: and
 - (b) multiplying the result in (a) by the "Sulfur Value" referred to in Item 150.10.A
15. Likewise, in a similar manner each month, the respective weighted average sulfur content per Barrel shall be determined for deliveries of all Common Stream Crude Petroleum at Avon, CA, or into SJVB at Coalinga. Similar calculations and adjustments to each Shipper's account shall be made as follows:

If the weighted average sulfur content per Barrel of oil delivered to a Shipper is less than the weighted average sulfur content per Barrel of Carrier's Common Stream, then the Shipper's account shall be debited by an amount which shall be calculated by:

 - (a) multiplying the differences in sulfur content per Barrel by the total Barrels delivered to such Shipper during the month: and
 - (b) multiplying the result in (a) by the "Sulfur Value" referred to in Item 150.10.A

If the weighted average sulfur content per Barrel of oil delivered to a Shipper is more than the weighted average sulfur content per barrel of Carrier's Common Stream, then the Shipper's account shall be credited by an amount which shall be calculated by:

 - (a) multiplying the differences in sulfur content per Barrel by the total Barrels delivered to such Shipper during the month: and
 - (b) multiplying the result (a) by the "Sulfur Value" referred to in Item 150.10.A

16. Carrier or Carrier's authorized representative shall net out each Shipper's sulfur differential account and shall render a monthly accounting to each Shipper stating the net credit or debit balance of each Shipper's sulfur differential account. Shippers having a net debit balance shall remit to Carrier or Carrier's authorized representative the amount of the net debit balance within ten (10) days from receipt of the statement of such debit. Carrier or Carrier's authorized representative shall remit the amount of a net credit balance to any Shipper having a net credit balance, after Carrier or Carrier's authorized representative has received the sums from those Shippers having debits. Carrier or Carrier's authorized representative's obligations and liabilities with respect to sulfur differential accounting and adjustments are limited to those specified in the tariff.
17. In order to complete the balance on sulfur for a Common Stream such as SJVH, deliveries directly in SJVB at Coalinga, and deliveries of SJVH at Avon will be treated as destination locations in the monthly analysis.
18. Samples will be collected and tested for sulfur for each receipt and delivery custody ticket number and a duplicate sample will be retained for ninety (90) days after the month of collection. The sample will be tested for sulfur according to an ASTM standard suitable for the API gravity range and typical BS&W content of the sample such as ASTM Standard D-4294. Shipper shall have the right to request a retest of the retain sample for sulfur determination. Requests for retesting must be received by Carrier in writing within thirty (30) days following the end of the month in which the receipt or delivery occurred. Requests beyond the thirty (30) day period will not be honored. Shipper will identify the sample to be retested by the custody ticket number and Carrier will submit a retention sample to a mutually agreed upon laboratory. If the results of the laboratory differ by more than the allowed reproducibility between the original and the second, agreed upon laboratory as defined by ASTM Standard D-4294, then the results of the second laboratory shall be used in the sulfur determinations. The cost of retesting shall be borne by the Shipper.
19. These calculations shall be made for each calendar month and the sum of the adjustments for the system shall be zero +/- One Dollar. If a Shipper shall have a net debit balance in combining the two adjustments made above, the balance shall be remitted to the Carrier within fifteen (15) days from the receipt of statement of such debit. If a Shipper shall have a credit, the Carrier shall remit amount thereof after receipt by the Carrier of the sums from those Shippers having debits as calculated above.
20. Carrier will provide at the end of each month a record of the Shipper's calculation and debit or credit amount.

EXHIBIT "A"
ADJUSTMENT AUTHORIZATION

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR
DIFFERENCE IN GRAVITY OF CRUDE PETROLEUM IN
SAN PABLO BAY PIPELINE

API <u>GRAVITY</u>	DIFF <u>PER BBL</u>	API <u>GRAVITY</u>	DIFF <u>PER BBL</u>	API <u>GRAVITY</u>	DIFF <u>PER BBL</u>	API <u>GRAVITY</u>	DIFF <u>PER BBL</u>
10.0	0.0000	15.0	2.1250	20.0	4.2500	25.0	6.3750
10.1	0.0425	15.1	2.1675	20.1	4.2925	25.1	6.4175
10.2	0.0850	15.2	2.2100	20.2	4.3350	25.2	6.4600
10.3	0.1275	15.3	2.2525	20.3	4.3775	25.3	6.5025
10.4	0.1700	15.4	2.2950	20.4	4.4200	25.4	6.5450
10.5	0.2125	15.5	2.3375	20.5	4.4625	25.5	6.5875
10.6	0.2550	15.6	2.3800	20.6	4.5050	25.6	6.6300
10.7	0.2975	15.7	2.4225	20.7	4.5475	25.7	6.6725
10.8	0.3400	15.8	2.4650	20.8	4.5900	25.8	6.7150
10.9	0.3825	15.9	2.5075	20.9	4.6325	25.9	6.7575
11.0	0.4250	16.0	2.5500	21.0	4.6750	26.0	6.8000
11.1	0.4675	16.1	2.5925	21.1	4.7175	26.1	6.8425
11.2	0.5100	16.2	2.6350	21.2	4.7600	26.2	6.8850
11.3	0.5525	16.3	2.6775	21.3	4.8025	26.3	6.9275
11.4	0.5950	16.4	2.7200	21.4	4.8450	26.4	6.9700
11.5	0.6375	16.5	2.7625	21.5	4.8875	26.5	7.0125
11.6	0.6800	16.6	2.8050	21.6	4.9300	26.6	7.0550
11.7	0.7225	16.7	2.8475	21.7	4.9725	26.7	7.0975
11.8	0.7650	16.8	2.8900	21.8	5.0150	26.8	7.1400
11.9	0.8075	16.9	2.9325	21.9	5.0575	26.9	7.1825
12.0	0.8500	17.0	2.9750	22.0	5.1000	27.0	7.2250
12.1	0.8925	17.1	3.0175	22.1	5.1425	27.1	7.2675
12.2	0.9350	17.2	3.0600	22.2	5.1850	27.2	7.3100
12.3	0.9775	17.3	3.1025	22.3	5.2275	27.3	7.3525
12.4	1.0200	17.4	3.1450	22.4	5.2700	27.4	7.3950
12.5	1.0625	17.5	3.1875	22.5	5.3125	27.5	7.4375
12.6	1.1050	17.6	3.2300	22.6	5.3550	27.6	7.4800
12.7	1.1475	17.7	3.2725	22.7	5.3975	27.7	7.5225
12.8	1.1900	17.8	3.3150	22.8	5.4400	27.8	7.5650
12.9	1.2325	17.9	3.3575	22.9	5.4825	27.9	7.6075
13.0	1.2750	18.0	3.4000	23.0	5.5250	28.0	7.6500
13.1	1.3175	18.1	3.4425	23.1	5.5675	28.1	7.6925
13.2	1.3600	18.2	3.4850	23.2	5.6100	28.2	7.7350
13.3	1.4025	18.3	3.5275	23.3	5.6525	28.3	7.7775
13.4	1.4450	18.4	3.5700	23.4	5.6950	28.4	7.8200
13.5	1.4875	18.5	3.6125	23.5	5.7375	28.5	7.8625
13.6	1.5300	18.6	3.6550	23.6	5.7800	28.6	7.9050
13.7	1.5725	18.7	3.6975	23.7	5.8225	28.7	7.9475
13.8	1.6150	18.8	3.7400	23.8	5.8650	28.8	7.9900
13.9	1.6575	18.9	3.7825	23.9	5.9075	28.9	8.0325
14.0	1.7000	19.0	3.8250	24.0	5.9500	29.0	8.0750
14.1	1.7425	19.1	3.8675	24.1	5.9925	29.1	8.1175
14.2	1.7850	19.2	3.9100	24.2	6.0350	29.2	8.1600
14.3	1.8275	19.3	3.9525	24.3	6.0775	29.3	8.2025
14.4	1.8700	19.4	3.9950	24.4	6.1200	29.4	8.2450
14.5	1.9125	19.5	4.0375	24.5	6.1625	29.5	8.2875
14.6	1.9550	19.6	4.0800	24.6	6.2050	29.6	8.3300
14.7	1.9975	19.7	4.1225	24.7	6.2475	29.7	8.3725
14.8	2.0400	19.8	4.1650	24.8	6.2900	29.8	8.4150
14.9	2.0825	19.9	4.2075	24.9	6.3325	29.9	8.4575

EXHIBIT "B"
SAMPLE QUALITY BANK CALCULATION
SAN PABLO BAY PIPELINE

RECEIPT BANK

<u>SHIPPER</u>	<u>BBLS</u> <u>REC'D</u>	<u>API</u> <u>GRAV</u>	FROM	BBLs	<u>%</u> <u>SULFUR</u>	<u>AVERAGE</u> <u>SULFUR</u>
			EXH. "A"	REC'D. X		
			<u>GRAVITY</u> <u>DIFF</u>	<u>GRAV</u> <u>DIFF</u>		
A	100.00	13.0	1.2750	127.50	2.18	218.00
B	150.00	14.1	1.7425	261.38	0.87	130.50
B	<u>200.00</u>	12.0	0.8500	<u>170.00</u>	1.74	<u>348.00</u>
TOTAL	450.00			558.88		1.55

Common stream weighted average GRAVITY value: 558.88 / 450.00 = 1.24194

Shipper A:

Weighted average GRAVITY value: 127.50 / 100.00 = 1.275
 Calculation: (1.24194 - 1.275) * 100.00 = \$ (3.31)

SULFUR calculation: (2.18000 - 1.548) * 100.00 = \$ 63.22

Total Shipper A Pays the bank: \$ (59.92)

Shipper B:

Weighted average GRAVITY value: 431.38 / 350.00 = 1.233
 Calculation: (1.24194 - 1.233) * 350.00 = \$ 3.31

SULFUR calculation: (0.87000 - 1.548) * 150.00 = \$(101.67)

SULFUR calculation: (1.74000 - 1.548) * 200.00 = \$ 38.44

Total Shipper B Receives from the bank: \$ (59.92)

NET \$ 0.00

DELIVERY BANK

<u>SHIPPER</u>	<u>BBLS</u> <u>REC'D</u>	<u>API</u> <u>GRAV</u>	FROM	BBLs	<u>%</u> <u>SULFUR</u>	<u>AVERAGE</u> <u>SULFUR</u>
			EXH. "A"	REC'D. X		
			<u>GRAVITY</u> <u>DIFF</u>	<u>GRAV</u> <u>DIFF</u>		
A	90.00	12.5	1.0625	95.63	1.45	130.50
B	140.00	13.0	1.2750	178.50	1.58	221.20
B	<u>212.00</u>	13.7	1.5725	<u>333.37</u>	1.60	<u>339.20</u>
TOTAL	442.00			607.50		1.56

Common stream weighted average GRAVITY value: 607.50 / 442.00 = 1.37442

Shipper A:

Weighted average GRAVITY value: 95.63 / 90.00 = 1.063
 Calculation: (1.063 - 1.37442) * 90.00 = \$ (28.07)

SULFUR calculation: (1.56312 - 1.450) * 90.00 = \$ 10.18

Total Shipper A Receives from the bank: \$ (17.89)

Shipper B:

Weighted average GRAVITY value: 511.87 / 352.00 = 1.454
 Calculation: (1.454 - 1.37442) * 352.00 = \$ 28.07

SULFUR calculation: (1.56312 - 1.580) * 140.00 = \$ (2.36)

SULFUR calculation: (1.56312 - 1.600) * 212.00 = \$ (7.82)

Total Shipper B Pays the bank: \$ 17.89

NET \$ 0.00