

# PLATTE PIPE LINE COMPANY [N], LLC

## Prorating Procedure

### Regarding the Transportation of Petroleum

**[N]** THE PROVISIONS OF THIS PRORATIONING PROCEDURE HAVE BEEN BROUGHT FORWARD UNCHANGED FROM PLATTE PIPE LINE COMPANY'S PRORATIONING PROCEDURE.

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## 1 Definitions

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1.1 “**Affiliate(s)**” means any person that directly or indirectly:

1.1.1 controls a Party;

1.1.2 is controlled by a Party;

1.1.3 is controlled by the same person that controls a Party,

it being understood and agreed that for purposes of this definition the terms "controls" and "controlled by" shall include circumstances where (i) two or more Parties use Shared Business Resources; (ii) two or more Parties have substantially the same direct or indirect management or general partner; (iii) one Party has the power to direct or cause the direction of the management or policies of another Party, whether acting alone or in conjunction with others and whether through the ownership of shares, pursuant to a contract, trust agreement or any other arrangement or means, either directly or indirectly, that results in control in fact, whether such control is general to the business or relates more specifically to transportation Nominations or Tenders.

1.1.4 Without restricting the generality of the foregoing, “control” includes, with respect to the control of or by a corporation, a rebuttable presumption that a voting interest of 10% or more creates control whether such ownership occurs directly or indirectly.

1.1.5 Two or more Parties shall be deemed to be Affiliates if the Carrier receives or obtains information indicating that one Party is conducting business with the Carrier on behalf of another Party or Parties, unless and until such deemed Affiliates provide sufficient evidence to the Carrier to prove that no affiliation exists.

1.2 “**Historic Period**” means the last full six months of receipts for the period immediately preceding the month in which nominations are due.

1.3 “**Historic Shipper**” means any Shipper with a minimum of five Months of Historic Volume during the Historic Period.

1.4 “**Historic Volume**” means the Pro Rata share of Receipts credited to a Historic Shipper compared to the total Receipts for all Historic Shippers during the Historic Period. For a Shipper to receive recognition for a Tender as part of the Shipper's Historic Volume, a Shipper must be the Shipper of Record on the custody transfer tickets at both the Receipt Point and Delivery Point, other than for those circumstances described in Rule 8.2 of this Procedure.

1.5 “**Minimum Tender**” has the meaning set forth in Item 2.6.5 of the Rules and Regulations published in Carrier's FERC Tariff on the Carrier's website and on file at the FERC.

1.6 “**Monthly Capacity**” means Carrier's hydraulic capacity for each segment based on the type of Nominated Petroleum or Crude Oil, carry-over, and pipeline maintenance requirements, as determined by Carrier.

1.7 “**New Shipper**” means any Shipper that is not a Historic Shipper or a Historic Shipper receiving an allocation below Minimum Tender.

1.8 “**Pro Rata**” means the determination of a fractional share whereby the numerator of that fraction is the specific volume of a Shipper and the denominator is the total volume of all Shippers.

1.9 “**Procedure**” refers to this Prorationing Procedure as set forth herein.

1.10 “**Receipts**” and any other derivative thereof, means the volume of Petroleum or Crude Oil received from a Shipper by the Carrier at the Carrier's inlet meter at one or more of the locations on Carrier's Facilities which have been designated as a Receipt Point in Carrier's Tariff.

1.11 “**Rules and Regulations**” means the Rules and Regulations published in Carrier's FERC Tariff on the Carrier's web site and on file at the FERC.

1.12 “**Shared Business Resources**” means the joint or shared use of any asset or resource which may include, employee(s), consultants, agents, officers, managers, market knowledge, intellectual property, a shared residence, mailing or business address, shared business telephone or facsimile numbers or equipment, Internet Protocol or email addresses, or use of a common bank account.

- 1.13 **“Shipper of Record”** means the Shipper whose name appears on a custody transfer meter ticket at a Receipt Point or Delivery Point.
- 1.14 **“Time Trade”** means a Shipper request to exchange Batched Shipments with another Shipper.
- 1.15 Capitalized terms that are not defined in this Procedure are defined in Carrier's Rules and Regulations.

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## **2 Communication**

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- 2.1 All communication between the Carrier and Shipper regarding this Procedure will be by email or as determined by the Carrier.

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## **3 Applicability to Segments**

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- 3.1 For any Month, where the Carrier determines that Binding Nominations exceed the Monthly Capacity, the Carrier will apply this Procedure to the affected segment(s):
- 3.1.1 Casper, Wyoming to Guernsey, Wyoming; and
  - 3.1.2 Guernsey, Wyoming to Wood River, Illinois.
- 3.2 Nominations for Delivery to Casper, Wyoming received by the Carrier's terminal in Casper, Wyoming will not be subject to this Procedure unless constraints occur within Carrier's Casper, Wyoming terminal. If required, Shippers will be allocated a Pro Rata share of capacity using Binding Nominations.

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## **4 Prorating Calculation**

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- 4.1 The Carrier shall allocate the Monthly Capacity as follows:
- 4.1.1 First to Historic Shippers:
    - 4.1.1.1 Ninety percent (90%) of Monthly Capacity is available to Historic Shippers.
    - 4.1.1.2 Up to five percent (5%) of the Monthly Capacity shall be made available to one or more Historic Shippers that would have received, under this Procedure, an allocation that falls below Minimum Tender. Such allocation shall be limited to the volume required to achieve Minimum Tender.
    - 4.1.1.3 If the capacity available under Rule 4.1.1.2 is insufficient to allow all Historic Shippers to achieve Minimum Tender, then no such allocation will be awarded.
    - 4.1.1.4 Historic Shippers individual capacity allocations shall be based on Historic Volume.
  - 4.1.2 Second to New Shippers:
    - 4.1.2.1 The Monthly Capacity available to New Shippers shall be no less than five percent (5%) and no more than ten percent (10%) of the Monthly Capacity.
    - 4.1.2.2 New Shippers individual capacity allocations shall be determined by:
      - 4.1.2.2.1 First, reducing each New Shipper's Nomination to no more than three percent (3%) of Monthly Capacity.
      - 4.1.2.2.2 Second, prorating the Monthly Capacity to each New Shipper.
      - 4.1.2.2.3 If the allocation of capacity available under Rule 4.1.2.2.2 to any individual New Shipper falls below Minimum Tender, such capacity will not be assigned.
      - 4.1.2.2.4 If after the application of Rule 4.1.2.2.3 there remains sufficient capacity to assign a Minimum Tender, the Carrier shall assign such capacity by means of a lottery.
      - 4.1.2.2.5 The lottery shall be carried out by the Carrier using a random number generating software to assign to each New Shipper that received an allocation below Minimum Tender a

number from one (1) to the number representing the total number of such Shippers. Starting with the Shipper assigned number one (1), lottery entrants shall sequentially be assigned Minimum Tender allocations until the remaining available capacity falls below Minimum Tender.

**4.2** Prorating will be calculated and applied in the following order:

- 4.2.1** Shippers will be allocated capacity for each segment independently and without regard to the other segment.
- 4.2.2** Other than for those Shippers requesting capacity allocations under Rule 6, Nominations of Petroleum or Crude Oil for transportation through both segments will receive an allocation for each segment that is equal to the allocation for the segment in which such Nomination receives the lower volume allocation.
  - 4.2.2.1** Carrier will determine the amount of unallocated capacity remaining in each segment after applying Rule 4.2.2.
- 4.2.3** Remaining capacity will be allocated first to Historic Shippers; second to New Shippers in accordance with Rule 5.
  - 4.2.3.1** Carrier will first allocate capacity on the segment with the lowest volume of unallocated capacity.
  - 4.2.3.2** Nominations requiring transportation through both segments will receive an allocation on both segments equal to their capacity allocation under Rule 4.2.3.1; such allocation shall not exceed the Shipper's entitlement on the segment with the highest volume of unallocated capacity as calculated under Rule 4.2.1.
  - 4.2.3.3** Remaining capacity will be allocated to Shippers requesting capacity allocations under Rule 6 and / or Shippers requiring transportation through only one segment.

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**5 Allocation of Unused Capacity**

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- 5.1** If Nominations from Historic Shippers are less than the Monthly Capacity allocated to Historic Shippers, the remaining capacity will be equally distributed among New Shippers.

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**6 Election of Binding Nominations**

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- 6.1** On or before the Monthly Nomination Date, Shippers Nominating Petroleum or Crude Oil for transportation through both segments may request to have their allocation for each segment calculated independently and without regard to the other segment.
- 6.2** Upon receiving such request, Carrier will allocate capacity based on that Shipper's entitlement for each segment in accordance with Rule 4.2; such allocation will become the Shipper's Binding Nomination per Item 2.13.1 of the Rules and Regulations.

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**7 Time Trades**

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- 7.1** Subject to Rule 9, Shippers may carry out Time Trades.
- 7.2** Shippers will retain their respective Historic Volume for such Time Trades provided:
  - 7.2.1** A Batched Shipment remains under the Shipper's name and, upon written request, is redirected to another Delivery Point;
  - 7.2.2** A Batched Shipment remains under the Shipper's name and, upon written request, has its injection sequence altered at the Receipt Point; or
  - 7.2.3** Transfer of ownership is executed upstream of the Receipt Point, such transfer cannot alter the Shippers' allocation under Rule 4.2.

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**8 Intra-Segment Transfers**

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- 8.1 Subject to Rule 9, Shippers with Batched Shipments transiting only the Casper to Guernsey segment may transfer such Batched Shipments to Shippers with capacity allocations on the Guernsey to Wood River segment.
- 8.2 Shippers will retain their respective Historic Volume for such transfers provided:
- 8.2.1 The intra-segment transfer request is made after the Carrier has published its initial pumping schedule for the Month.
  - 8.2.2 The Shipper with the Guernsey to Wood River capacity has adjusted its Nomination to accommodate the transfer volume.
  - 8.2.3 The intra-segment transfer of each Batched Shipment is restricted to a maximum of three (3) Shippers, including the original Shipper.
  - 8.2.4 Subsequent transfers of the same Batched Shipment will result in a loss of Historic Volume.

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**9 Requested Changes in Receipt or Delivery Points**

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- 9.1 After a Nomination has been accepted, any requests to make changes to the Receipt Point or Delivery Point will be accepted only to the extent such change does not materially impact the movements of any other shipper or have an adverse effect on the operation or allocation of pipeline capacity.

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**10 Revised Nominations**

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- 10.1 Revised Nominations to comply with this Procedure are due to the Carrier by 5:00 pm Mountain Time one business day after notification of allocation.

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**11 Allocations to Historic Shippers**

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- 11.1 During a Month when a New Shipper transitions to Historic Shipper status and that Shipper has five consecutive Months of Historic Volume, such Shipper will be assigned Historic Volume for the sixth month equal to the Shipper's average Historic Volume over the five Month period.
- 11.2 Shippers with Historic Volume in only one segment will be allocated capacity in the other segment in accordance with Rule 4.2.

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**12 Shipper Affiliates**

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- 12.1 Historic Volume may be shared among Affiliates of a Shipper.
- 12.2 Other than for those conditions contemplated in Rule 11.2, Historic Shippers and their Affiliates cannot participate in the New Shipper category.
- 12.3 Affiliates of a New Shipper may not participate in the New Shipper category.

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**13 Transferring Historic Volume**

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- 13.1 Shippers cannot transfer their Historic Volume to a Non-Affiliate unless such Shipper exits the Petroleum and Crude Oil business by selling substantially all of its Petroleum and Crude Oil assets.
- 13.2 Pursuant to Rule 13.1, the purchaser(s) of such assets shall be entitled to the Historic Volume associated with the purchased assets, as agreed to by the Parties.

**EXPLANATION OF REFERENCE MARKS:**

[N] New

[W] Change in wording only

# Platte Prorationing Procedure Example # 1

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Historic Shippers initially receive 90% of Monthly Capacity with a further allocation of Monthly Capacity awarded to Historic Shippers to achieve Minimum Tender, and all New Shippers participate in a lottery allocation.

Nomination Month: September 2012  
 Minimum Tender: 833 bpd (25,000 bbls)  
 Monthly Capacity for the Guernsey to Wood River Segment: 160,000 bpd

## Historic Shipper Allocation Procedure:

Initial Historic Shipper Capacity – 144,000 bpd (90% of 160,000 bpd)

Shipper	Historic Volume	Monthly Allocation
Shipper 1*	93.4%	134,496
Shipper 2	.50%	720
Shipper 3	.70%	1,008
Shipper 4	.55%	792
Shipper 5	.60%	864
Shipper 6	.65%	936
Shipper 7	.40%	576
Shipper 8	.45%	648
Shipper 9	.70%	1,008
Shipper 10	.62%	893
Shipper 11	.53%	763
Shipper 12	.90%	1,296
Total	100%	144,000

\*For this example, Historic Shipper volumes have been combined and shown as Shipper 1.

Shippers 2, 4, 7, 8, and 11 fail to achieve Minimum Tender allocations and require top up capacity pursuant to Rule 4.1.1.2.as follows:

Shipper	Required Volume for Minimum Tender (bpd)
Shipper 1	0
Shipper 2	113
Shipper 3	0
Shipper 4	41
Shipper 5	0
Shipper 6	0
Shipper 7	257
Shipper 8	185
Shipper 9	0
Shipper 10	0
Shipper 11	70
Shipper 12	0
Total Volume Requirement (bpd)	667

Historic Shipper Allocation:

Shipper	Historic Allocation (bpd)
Shipper 1	134,496
Shipper 2	833
Shipper 3	1,008
Shipper 4	833
Shipper 5	864
Shipper 6	936
Shipper 7	833
Shipper 8	833
Shipper 9	1,008
Shipper 10	893
Shipper 11	833
Shipper 12	1,296
Total Volume Allocated (bpd)	144,667

**New Shipper Allocation Procedure:**

20 New Shippers nominate into the New Shipper Category. Per Rule 4.1.2.2.1 each New Shippers has their Nomination reduced to no more than 3% of Monthly Capacity. Total Nominations in the New Shipper Category are 96,000 bpd.

The remaining Monthly Capacity available to New Shippers is determined as follows:

$$\text{Monthly Capacity} - \text{Historic Capacity} = \text{New Shipper Capacity}$$
$$160,000 - 144,667 = 15,333 \text{ bpd}$$

Rule 4.1.2.2.2: the available Monthly Capacity is distributed on a prorata basis, and results in all New Shippers receiving an allocation below Minimum Tender:

For example:

New Shipper #1 Nominates the maximum 3% of Monthly Capacity (4,8000 bpd) and based on the allocation procedure, the assignment of capacity would fall below Minimum Tender:

$$\text{New Shipper Nomination} / \text{Total New Shipper Nominations} * \text{Available Capacity} = \text{New Shipper prorata allocation}$$
$$= 4800 \text{ bpd} / 96000 \text{ bpd} * 15,333 \text{ bpd} = 767 \text{ bpd} \text{ (66 bpd below Minimum Tender)}$$

Rule 4.1.2.2.4: a Lottery will be administered by the Carrier, in which all New Shippers will participate.

Random generating software assigns each New Shipper a number from one (1) to twenty (20), the total number of New Shipper participants.

Rule 4.1.2.2.5: Lottery entrants are sequentially assigned Minimum Tender allocations until the remaining available capacity falls below Minimum Tender:

$$18 \text{ Minimum Tender Allocations} * 833 \text{ bpd (Minimum Tender)} = 15,000 \text{ bpd}$$
$$\text{Remaining unassigned capacity} = 333 \text{ bpd} \text{ (15,333 bpd} - 15,000 \text{ bpd} = 333 \text{ bpd)}$$

## Final Allocation to Historic Shippers

The unassigned capacity is reallocated amongst Historic Shippers in accordance with Rule 4.1.1.4, such that:

Shipper	Historic Volume	Monthly Allocation
Shipper 1	93.4%	311
Shipper 2	.50%	2
Shipper 3	.70%	2
Shipper 4	.55%	2
Shipper 5	.60%	2
Shipper 6	.65%	2
Shipper 7	.40%	1
Shipper 8	.45%	1
Shipper 9	.70%	2
Shipper 10	.62%	2
Shipper 11	.53%	2
Shipper 12	.90%	3
Total	100%	333

Historic Shipper final allocation:

Shipper	Historic Allocation (bpd)
Shipper 1	134,807
Shipper 2	835
Shipper 3	1,010
Shipper 4	835
Shipper 5	866
Shipper 6	938
Shipper 7	835
Shipper 8	835
Shipper 9	1,010
Shipper 10	895
Shipper 11	835
Shipper 12	1,299
Total Volume Allocated (bpd)	145,000

Monthly Capacity allocated to Historic Shippers:	145,000 bpd	90.63%
Monthly Capacity allocated to New Shippers:	<u>15,000 bpd</u>	<u>9.38%</u>
Total Monthly Capacity:	160,000 bpd	100%



## Platte Prorationing Procedure Example # 2

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In this scenario, Historic Shippers initially receive the same allocation as they would in Example 1; most New Shippers achieve Minimum Tender allocations, however, 3 New Shippers are required to participate in a lottery, for one Minimum Tender allocation.

Nomination Month: September 2012

Minimum Tender – 833 bpd (25,000 bbls)

Monthly Capacity in the Guernsey to Wood River Segment – 160,000 bpd

### Historic Shipper Allocation Procedure:

Initial Historic Shipper Capacity – 144,000 bpd (90% of 160,000 bpd)

Shipper	Historic Volume	Monthly Allocation
Shipper 1*	93.4%	134,496
Shipper 2	.50%	720
Shipper 3	.70%	1,008
Shipper 4	.55%	792
Shipper 5	.60%	864
Shipper 6	.65%	936
Shipper 7	.40%	576
Shipper 8	.45%	648
Shipper 9	.70%	1,008
Shipper 10	.62%	893
Shipper 11	.53%	763
Shipper 12	.90%	1,296
Total	100%	144,000

\*\*For this example, Historic Shipper volumes have been combined and shown as Shipper 1.

Shippers 2, 4, 7, 8, and 11 fail to achieve Minimum Tender allocations and require top up capacity as follows:

Shipper	Required Volume for Minimum Tender (bpd)
Shipper 1	0
Shipper 2	113
Shipper 3	0
Shipper 4	41
Shipper 5	0
Shipper 6	0
Shipper 7	257
Shipper 8	185
Shipper 9	0
Shipper 10	0
Shipper 11	70
Shipper 12	0
Total Volume Requirement (bpd)	667

Historic Shipper Allocation:

Shipper	Historic Allocation (bpd)
Shipper 1	134,496
Shipper 2	833
Shipper 3	1,008
Shipper 4	833
Shipper 5	864
Shipper 6	936
Shipper 7	833
Shipper 8	833
Shipper 9	1,008
Shipper 10	893
Shipper 11	833
Shipper 12	1,296
Total Volume Allocated (bpd)	144,667

**New Shipper Allocation:**

20 New Shippers nominate into the New Shipper Category. Per Rule 4.1.2.2.1, 17 New Shippers have their Nominations reduced to not more than 3% of Monthly Capacity. 3 New Shippers have each Nominated 2000 bpd. Total Nominations in the New Shipper Category are 87,600 bpd.

The remaining Monthly Capacity available to New Shippers is determined as follows:

$$\text{Monthly Capacity} - \text{Historic Capacity} = \text{New Shipper Capacity}$$
$$160,000 - 144,667 = 15,333 \text{ bpd}$$

Rule 4.1.2.2.2: the Monthly Capacity available to New Shippers is distributed on a prorata basis:

$$\text{New Shipper \#1 Nominates the maximum 3\% of the pipeline capacity (4800 bpd)}$$
$$(\text{New Shipper Nomination} / \text{Total New Shipper Nominations}) * \text{Available Capacity} = \text{New Shipper prorata allocation}$$
$$(4800 \text{ bpd} / 87,600 \text{ bpd}) * 15,333 \text{ bpd} = 840 \text{ bpd}$$

New Shipper # 1 receives an allocation above Minimum Tender

$$3 \text{ New Shippers each Nominate } 2,000 \text{ bpd}$$
$$(\text{New Shipper Nomination} / \text{Total New Shipper Nominations}) * \text{Available Capacity} = \text{New Shipper prorata allocation}$$
$$(2000 \text{ bpd} / 87600 \text{ bpd}) * 15,333 \text{ bpd} = 350 \text{ bpd}$$

3 New Shippers receive allocations below Minimum Tender

Rule 4.1.2.2.3: individual Shipper allocations that fall below Minimum Tender will not be assigned, therefore the 3 New Shippers do not receive allocations and 1050 bpd (3 \* 350 bpd) of capacity remains unassigned.

Following the application of rule 4.1.2.2.3, and in accordance with Rule 4.1.2.2.4, sufficient capacity remains within the New Shipper category to assign a Minimum Tender allocation by means of a lottery.

Rule 4.1.2.2.5: Random generating software assigns each New Shipper who receives an allocation below Minimum Tender a Number from one to three (the total number of New Shipper participants). Lottery entrants are sequentially assigned Minimum Tender allocations until the remaining capacity available to New Shippers falls below Minimum Tender:

1 Minimum Tender Allocations \* 833bpd (Minimum Tender) = 833 bpd  
 Remaining unassigned capacity = 217 bpd (1050 bpd – 833 bpd = 217 bpd)

### Final Allocation to Historic Shippers

The unassigned capacity is reallocated amongst Historic Shippers in accordance with Rule 4.1.1.4 such that:

Shipper	Historic Volume	Monthly Allocation
Shipper 1	93.4%	203
Shipper 2	.50%	1
Shipper 3	.70%	2
Shipper 4	.55%	1
Shipper 5	.60%	1
Shipper 6	.65%	1
Shipper 7	.40%	1
Shipper 8	.45%	1
Shipper 9	.70%	2
Shipper 10	.62%	1
Shipper 11	.53%	1
Shipper 12	.90%	2
Total	100%	217

Historic Shipper final allocation:

Shipper	Historic Allocation (bpd)
Shipper 1	134699
Shipper 2	834
Shipper 3	1010
Shipper 4	835
Shipper 5	865
Shipper 6	937
Shipper 7	834
Shipper 8	834
Shipper 9	1010
Shipper 10	894
Shipper 11	834
Shipper 12	1,298
Total Volume Allocated (bpd)	144884

Monthly Capacity allocated to Historic Shippers: 144,884 bpd 90.55%  
 Monthly Capacity allocated to New Shippers: 151,16 bpd 9.45%  
 Total Monthly Capacity: 160,000 bpd 100%