

KUPARUK TRANSPORTATION COMPANY

LOCAL PIPELINE TARIFF

Containing
RULES AND REGULATIONS

Governing
THE TRANSPORTATION
of
PETROLEUM
by
PIPELINE

FROM
KUPARUK, ALASKA
TO
TRANS ALASKA PIPELINE SYSTEM PUMP STATION NO. 1

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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

[N] This is a baseline tariff filing in compliance with FERC Order No. 714, 124 FERC ¶ 61,270 (2008).

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ITEM NO.	SUBJECT	RULES & REGULATIONS
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ITEM NO.	SUBJECT	RULES & REGULATIONS
1	Definitions	<p data-bbox="578 258 1073 279">_Barrel means forty-two United States gallons.</p> <p data-bbox="578 338 1127 359">_Carrier_ means Kuparuk Transportation Company.</p> <p data-bbox="578 394 1349 443">_Consignee_ means anyone that a shipment, or portion of a shipment, is consigned to when delivered from the Pipeline.</p> <p data-bbox="578 474 1403 522">_Day_ means the period of time commencing at 0000 hours on one day and running until 2400 hours on the same day according to Alaska Standard Time.</p> <p data-bbox="578 554 1414 632">_Month_ or _Monthly_ means a calendar month commencing at 0000 hours on the first day thereof and running until 2400 hours on the last day thereof according to Alaska Standard Time.</p> <p data-bbox="578 663 1349 684">_Operator_ means the contract operator of the Kuparuk Pipeline System.</p> <p data-bbox="578 716 1338 737">_Petroleum_ means unrefined liquid hydrocarbons including gas liquids.</p> <p data-bbox="578 768 1089 789">_Pipeline_ means the Kuparuk Pipeline System.</p> <p data-bbox="578 821 1406 869">_Prospective Shipper_ means a person tendering Petroleum for transportation through the Pipeline whose tender has not yet been accepted by Carrier.</p> <p data-bbox="578 900 1305 921">_Shipper_ means anyone who ships Petroleum through the Pipeline.</p> <p data-bbox="578 953 1341 1001">_System_ or Kuparuk Pipeline System means the Kuparuk pipeline, and associated facilities owned by Carrier.</p>
2	Warranty Of Title	<p data-bbox="578 1066 1474 1167">The act of delivering Petroleum into the Pipeline for transportation shall constitute a warranty by Shipper that Shipper has unencumbered title thereto and that unencumbered title shall remain with Shipper until such Petroleum is delivered out of the Pipeline.</p>
3	Quality and Intermixing of Petroleum	<p data-bbox="578 1203 1442 1383">Only Petroleum will be accepted for transportation in the Pipeline. All Petroleum transported through the Pipeline will be intermixed and must be compatible with other Petroleum shipments and shall be subject to such changes in gravity, Quality and other characteristics as may result from such intermixing. No Shipper or Consignee shall be entitled to receive the identical Petroleum which was delivered into the Pipeline. Delivery shall be out of the commingled stream or common stock.</p> <p data-bbox="578 1415 1442 1871">Carrier has right to refuse Petroleum for transportation if (i) it is unsuitable for Refining or use as a fuel and contains more than thirty-five one hundredths of 1% (0.35%) by volume of basic sediment and water, (ii) its temperature exceeds 142 °F, provided that petroleum may be accepted for transportation at any point in the System at a temperature in excess of 142 ° F but only under such circumstances and during such times as Carrier hereunder determines will not result in violation of any design or operating requirement for the System at any point in the System or result in inequities or discrimination as among Shippers, (iii) its hydrogen sulfide (H₂S) content in solution does exceed 50 parts per million by weight, (iv) it will result in the calculated combined stream of Petroleum in the Pipeline at any given entry point or any given time exceeding ten (10) parts per million hydrogen sulfide (H₂S) content in solution by weight or the vapor pressure of such combined stream exceeding the greater of atmospheric pressure or 14.7 psia at receipt temperature, and (v) assay analysis of the Petroleum has not been provided at least sixty (60) days in advance of initial receipt to determine that such Petroleum is compatible with other Petroleum being transported. (Carrier will notify the Prospective Shipper of the</p>

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3	Quality and Intermixing of Petroleum (continued)	Evaluation of the assay analysis and acceptance or non-acceptance of the petroleum within forty (40) days of the receipt of the analysis).
4	Scheduling of Receipts and Deliveries	<p>Shippers and Prospective Shippers shall promptly provide Carrier with all essential information for Carrier to schedule such proposed shipments of Petroleum; to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs and supplements thereto. Carrier may refuse to receive Petroleum for Transportation until such Shipper or Prospective Shipper has provided Carrier with such information.</p> <p>Good faith nominations will be received and considered for acceptance only if they conform in full to Carrier's requirements. Nominations must be received by Carrier's office no later than noon, Anchorage, Alaska local time on the 8th business day of each month. Nominations received by the deadline will cover the ensuing one-month period that begins on the first Day of the next successive calendar Month. Nominations must agree to the producers production forecast schedule.</p> <p>For all intrastate shipments, Shipper must provide Carrier with a statement documenting the volumes shipped indicating point of origin (i.e., crude type) and KTC connection within 45 days after shipping such oil on the Carrier. In the event a Shipper fails to provide such documentation validating the intrastate delivery of the tendered oil within 45 days of the shipping of such oil, Shipper shall be charged a rate equal to the applicable interstate tariff for such shipment. Carrier recognizes there may be circumstances which prohibit Shipper from either timely reporting, or which result in reclassification of a shipment at a later date. If Shipper provides a statement documenting a shipment as intrastate at a later date, Carrier will reclassify and reconcile payments to this new documentation.</p> <p>Scheduled receipts from Shippers shall not be subject to change except with written or telegraphic notice from Shipper at least two (2) days prior to date of scheduled receipt of Petroleum.</p> <p>Each Shipper shall provide its pro rata share of Petroleum necessary to fill the Pipeline. Carrier shall not be obligated to deliver Shipper's Petroleum tendered for shipment in the Pipeline unless Shipper has provided its pro rata share of such line fill.</p> <p>Intrasystem transfers of custody or ownership of Petroleum will not be permitted.</p> <p>In the event Shippers offer to ship more Petroleum through the Pipeline during any period of time than can be pumped through the Pipeline during such period, then Carrier shall accept and transport during such period only that portion of each good-faith offer to ship which Carrier shall determine to be equitable to all Shippers pursuant to Carrier's Proration Policy.</p>
5	Schedule Notification to Shippers	<p>Carrier will schedule the approximate time when Petroleum offered for shipment will be received by Carrier at origin location and delivered by Carrier at destination location for each schedule period.</p> <p>Carrier will inform each Shipper of the time within each schedule period when Petroleum will be received from such Shipper at origin location and will inform each Shipper of the time within each schedule period when Petroleum will be delivered at destination location.</p>
6	Shipper Facilities and Receipts into the System	Carrier will determine and advise Shipper of the facilities to be provided by the Shipper at any receipt location to meet the operating conditions of Carrier's facilities at such location, Carrier will not accept Petroleum for transportation unless such facilities have been provided.

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7	Minimum Delivery	Carrier has the right to refuse to make a delivery of less than 10,000 barrels per Month of Petroleum at any destination point on its Pipeline except when necessitated by dispatching contingencies.
8	Measurement	The volume of Petroleum received and delivered by Carrier will be measured by meter or by tank gauges and computations made from correctly compiled tank tables. Corrections will be made for temperature from observed degrees Fahrenheit to sixty (60) degrees Fahrenheit. Carrier will deduct the full measured amount of basic sediment, water, and other impurities as the distillation or other test may indicate. Shipper and Consignee shall have the privilege of being present or represented during measuring and testing of shipment by Carrier.
9	Additives	Carrier reserves the right to inject or approve the injection of corrosion inhibitors, viscosity or pour point depressants and drag reducing additives or other such additives in the Petroleum to be transported.
10	Applicability of Rates and Charges, Rules and Regulations	The rates and charges which shall apply to the transportation of Petroleum shall be those in effect on the date Petroleum is received by Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of Petroleum shall be the rules and regulations in effect on the date Petroleum is received by Carrier for transportation. Transportation and other charges will be made on receipts of Petroleum at Pump Station No. 1.
11	Liability for Changes	<p>The Shipper and Consignee shall be jointly and severally liable for payment of all transportation charges, late payment and any other applicable charges. Such charges are due on delivery of the Petroleum by Carrier to Shipper or Consignee.</p> <p>Carrier will bill Shipper each month for transportation and any other applicable charges. If such a bill is not paid within 10 days from the date of the bill, then Shipper and Consignee will become liable for payment to Carrier of a late charge equal to an annual interest rate equivalent to 125% of the prime rate of interest charged by the Citibank N.A. of New York, New York on ninety (90) day loans to substantial and responsible commercial borrowers as of the due date, or the maximum rate allowed by the law, whichever is less.</p> <p>The time for determining such late charges shall be measured from the date of such bill until payment is made.</p> <p>Carrier shall have a lien on all Petroleum received into the Pipeline. Such lien shall take effect at the time Petroleum is received into the Pipeline. Such lien shall secure the payment of any and all gathering charges, transportation charges, fees, and other lawful charges owed to Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges, whether or not incurred on the Petroleum in the Pipeline and whether or not invoiced. Such lien shall be in addition to and shall supplement any and all other rights and remedies Carrier has at law or in equity.</p> <p>If it appears that the value of Petroleum received from a Shipper and destined to a Consignee that will remain in the custody of Carrier after making delivery will not exceed the total of all transportation, penalty and other charges which are or will be due from Shipper and Consignee upon making such delivery. Carrier may require the Shipper or Consignee to prepay transportation, penalty and other charges before making delivery.</p>
12	Carrier's Liability for Loss	Carrier will not be liable for failure to receive or deliver Petroleum or any loss of Petroleum while in the possession of Carrier, or for any delay in receiving or delivering Petroleum, if caused in whole or in part by an Act of God, weather, the public enemy, acts of third parties, quarantine, the authority of law, strikes, riots, the act of default of Shipper or Consignees, requisition or other action by any Government or Governmental agency, shrinkage, evaporation or other normal operating losses, or any cause not attributable to the sole negligence or willful misconduct of Carrier.

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12	Carrier's Liability for Loss (continued)	<p>Except as otherwise provided in Item No. 15 if such loss of Petroleum occurs, then each Shipper of Petroleum so lost shall share such loss in the proportion that the amount of such Petroleum then in the custody of Carrier for the account of such Shipper bears to the total amount of Petroleum then in custody of Carrier.</p> <p>Carrier will be obligated to deliver only that portion of Petroleum remaining after deducting such loss.</p> <p>If Petroleum is lost while in the custody of Carrier due to the sole negligence or willful misconduct of Carrier, Carrier may obtain and deliver to Consignee thereof other Petroleum of similar quantity and grade, as that which otherwise would have been delivered, but Carrier shall not be obligated to do so; in the alternative, Carrier may compensate Shipper for such loss in money.</p>
13	Time Limitation Of Claims	<p>As a condition precedent to recovery for loss or delay, claims must be filed in writing with Carrier within nine (9) months and one (1) day after delivery of the Petroleum, or in case of failure to make delivery, then within nine (9) months and one (1) day after a reasonable time for delivery has elapsed; and suits may be instituted against the Carrier only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions. Carrier will not be liable and such claims will not be paid.</p>
14	Rates Applicable from and to Intermediate Points	<p>Petroleum received from a point on the System which is not named in the applicable tariff, but which point is intermediate to a point from which a rate is published in the applicable tariff will be assessed the rate in effect from the next more-distant point published in the applicable tariff.</p> <p>Petroleum delivered to a point on the System which is not named in the applicable tariff, but which point is intermediate to a point to which a rate is published in the applicable tariff will be assessed the rate in effect from the next more-distant point published in the applicable tariff.</p>
15	Delivery Adjustments	<p>Carrier shall account to each Shipper for Petroleum received. Any overage or shortages resulting from shrinkage, evaporation and other normal operating losses will be allocated equitably among the Shippers. Accounting for such overages and shortages will be made proportionately on the basis of volume for each Shipper.</p> <p>Only such portion of a Shipper's Petroleum as may remain after deduction of its allocated part of such net overages and shortages shall be deliverable from the System. Deductions for such overages and shortages will initially be made on the basis of estimates and adjusted to actual at the end of each Month.</p>
16	Liability for Non-Compliance	<p>Any Shipper or Consignee who does any act of permits any act to be done which violates the terms of this tariff shall be liable to Carrier for all loss, damage, or injury caused thereby or resulting there from.</p>
17	Heat Exchange Mechanism	<p>Carrier reserves the right to approve the installation of a slip stream mechanism on the Pipeline which will utilize a slip stream from the Pipeline to heat gas in an adjacent pipeline.</p>

EXPLANATION OF REFERENCE MARKS:

[N] New