



Colonial Pipeline Company Segregated Batch FAQs

This document address some anticipated Frequently Asked Questions (FAQs) regarding Colonial's July 23, 2020 tariff filing regarding segregated batches.

Please refer to the actual [tariff filing](#) for full details.

Background/New Service Overview

Why did Colonial make the July 23, 2020 tariff filing?

- Colonial has received interest from multiple Shippers in shipping gasoline components, mainly naphthas, from the Gulf Coast to the Northeast. Colonial believes that this trend will continue in the future based on the increasing volume of various gasoline components in the Gulf Coast.
- Colonial's tariff filing enables Colonial to broaden its support of Gulf Coast to Northeast segregated gasoline component movements. The tariff filing also provided clarification on other aspects of Colonial's segregated batch service.
- The tariff filing allows Colonial to provide a new, economical and cost-effective alternative for transporting gasoline components. Colonial is continually assessing its ability to provide value-added services for its customers.

Why did Colonial not offer this service before?

- Segregated shipments are more resource intensive and operationally complex, namely requiring dedicated tankage capacity and requiring emptying of tankage before and after movements. Colonial only supported a small number of distillate and virtually no gasoline segregated movements from the Gulf Coast to destinations past Collins, MS based on the tankage and compliance with regulations. The addition of controls and processes to ensure regulatory compliance and operational certainty to shippers are allowing for the service to be offered.

Product Specifications/Product Types Eligible for Segregated Shipment

Regarding segregated gasoline components: What types of products will Colonial move under the new service?

- Colonial has established product grades that would support components such as light naphtha, heavy naphtha, and alkylate, and has provided guidance as to the use of the various product grade codes. Colonial recognizes that gasoline components fall under a

wide spectrum of specifications and names. All products nominated for transportation must meet the segregated product specifications as outlined in Colonial's tariff and Shipper Manual. Shippers should provide product quality information (Certificate of Analysis) to Colonial for review and approval prior to requesting shipment.

- All segregated gasoline batches must comply with Colonial's RVP calendar.

Service Start Date / Effective Date of New Nomination Process for Gulf Coast-to-Northeast Segregated Shipments

When will the new service start? When will Colonial start taking nominations under the new Gulf Coast-to-Northeast nomination process?

- *NOTE: Colonial's new nomination process for Gulf Coast-to-Northeast segregated shipments applies to both gasoline and distillates. It is a route-based process and applies to all segregated products shipped from Gulf Coast-to-Northeast. Please see Rules and Regulations Tariff Item 22 for details; an example shipment process can be found at the end of this document.*
- The tariff is scheduled to be effective on July 24, 2020; Colonial will begin taking shipment requests under the new process after such effective date. Nominations will be accepted for cycles with Date Info dates after such effective date per the terms of the revised Rules and Regulations Tariff Item 22.
 - For the purpose of clarity, no requests will be accepted prior to the tariff change effective date.
- Based on current timing, Cycle 43 would be the first cycle eligible for the new nominations process, but that could change based upon cycle times in the interim.

Batch Size, Buffer Batch, and other Operational Requirements

- **Batch Size:** Please see Item 21 in the Rules and Regulations Tariff for a full list of requirements. Regarding segregated batches originating on Lines 1 or 2, segregated batches must be no less than 75,000 and no more than 100,000 barrels; please contact Colonial if you are interested in batches larger than 100,000 barrels.
- **Buffer batch requirements and commingling:** Colonial may require a buffer batch to accompany any segregated gasoline component batch. Colonial's Operations group (Quality Assurance/Scheduling) will advise based on the product specifications of the proposed segregated batch.
 - For batches moving from the Gulf Coast to Woodbury- or Linden-based destinations, a portion of the buffer batch will be cut into (i.e. commingled with) the segregated batch at Greensboro and again at Woodbury- or Linden prior to final delivery.

- Losses of the buffer batch will be compensated per settlement pricing for the related buffer grade
- Gains of L grade (i.e. the segregated batch) will be priced based on normal settlement. Please see the *Shipper Manual, Section 2.9.2 Physical Adjustment and Surplus Settlement Pricing* for details.

Capacity Available for Segregated Batches

What if the shipper does not have enough line history to move the batch and buffer batch (if needed)?

- A shipper may arrange with other shippers to secure enough space to ship a segregated batch and the associated buffer batch. Both a shipper(s) requesting a segregated movement and the shipper(s) whose space is utilized must acknowledge their participation and consent in writing and approve the handling and gain/loss settlement process.
- If a shipper requests a segregated shipment and needs space from another shipper in order to meet the minimum batch size requirements, including buffer batch, and is not able to obtain allocated volume from another shipper for a minimum segregated shipment, the facilities fee will not be refunded.

How many segregated batches per cycle will Colonial allow? Why is Colonial limited in how many batches it can move from the Gulf Coast to the Northeast?

- Segregated shipments are more resource intensive and operationally complex, namely requiring dedicated tankage capacity and requiring emptying of tankage before and after movements (landing tanks). In addition, compliance with air emissions regulations can further limit Colonial's capacity for moving segregated shipments.
- The number of confirmed segregated batches will depend on a number of operational factors and will vary from cycle to cycle.

Pricing/Supplemental Fee for Segregated Movements from Gulf Coast Origins to Destinations Downstream of Collins, MS

Are there any new fees with respect to segregated batches?

- There is a new, non-refundable segregated batch facilities fee applicable from eligible Gulf Coast origins to Woodbury- and Linden-based destinations, payable in addition to the applicable local rates tariff and any other fees due under the tariff. Other routes not requiring breakout tankage (e.g. Gulf Coast to destinations to Collins, MS and upstream; IHT movements) will not have to pay the segregated batch facilities fee. Please see the Local Rates Tariff for details.
- This segregated batch facilities fee applies to segregated gasoline and distillate movements (i.e. any segregated product along the noted origin/destination combinations).

- The segregated batch facilities fee is \$0.21 per barrel based on the confirmed nomination volume of segregated product (i.e. does not apply to the buffer batch).
- The segregated batch facilities fee is due upon issuance upon a Segregated Batch Confirmation Notice from Colonial's Scheduling department (not due upon lifting or delivery) and is non-refundable.

Impact to Short-Haul Segregated Batch Movements (e.g. Gulf Coast-to-Gulf Coast; Intra Harbor Transfer "IHT")

Are there any changes to Colonial's segregated batch service a) within Gulf Coast and b) within IHT?

- The filing makes no changes to Colonial's segregated batch service within the Gulf Coast and within IHT. Colonial will continue to support these segregated movements and will continue to develop solutions in conjunction with its customers.

Changes to segregated batch eligible origins/destinations

Why will Colonial only support Woodbury- and Linden-based destinations for Gulf Coast origins?

- Colonial is basing the service on Shipper requests and operational capability. Colonial will continue to work with our Shippers to adjust and/or improve our services.

Example Shipment Process

1. Shipper is considering shipment of a segregated batch.
2. If known, the shipper should provide segregated product information, Certificate of Analysis or typical quality data. This information will allow Colonial to provide guidance on the need for buffer batches and handling procedures.
3. The shipper will enter the nomination and send an email to segregatedbatch@colpipe.com to seek commitment from Colonial to ship the segregated batch. The request can be made up to the closing date (Date Info Bulletin) for any movement but can be made up to two months in advance.
4. Colonial will review the request and provide the confirmation or rejection within three business days.
5. Once confirmed, the shipper will be charged the \$0.21/barrel facilities fee based on the nominated volume of the segregated batch.
6. If Line 1 is allocated, the shipper must ship the barrels within their total Committed Volume.

- a. Example:
 - i. Shipper has a confirmed segregated batch of 75,000 barrels that requires a 25,000 barrel buffer batch.
 - ii. The shipper's Line 1 Committed Volume based on the allocation process is 50,000 barrels.
 - iii. The shipper does not have adequate space to ship the segregated batch plus the buffer batch. To resolve the allocation shortage, the shipper may find other shipper(s) willing to ship a portion of the segregated batch and/or the buffer batch for the shipper. Colonial will require the segregated batch shipper and the helping shipper to acknowledge their involvement and confirm they understand how the batch handling and product gain/loss will be settled. Colonial will bill the facilities fee to the shipper requesting the segregated movement for the total segregated batch volume even though the additional shipper may be shipping a portion of the batch. Both the segregated movement and buffer batch must originate from the same origin.
- 7. The shipper(s) must also ship within their allocated volume on downstream lines. The shipper may use PTOs to transfer title to other shippers to meet the allocation for downstream lines.
- 8. Based on the agreed handling/cutting procedures, Colonial will transport the product from Gulf Coast to the Woodbury and Linden destinations. Any tanks at Greensboro, Woodbury, and Linden will be evacuated prior to receipt of the segregated batch.
- 9. If a buffer batch is required then pipeline interfaces will likely be cut into the segregated batch resulting in an increase in volume. The volume that the segregated batch increases will be deducted from the buffer batch volume. The total volume of the segregated and buffer batches originated should approximately equal the total volume of segregated and buffer batches delivered.
 - a. Example:
 - i. Segregated batch of 75,000 barrels and an A grade buffer batch of 25,000 barrels are originated on Line 1.
 - ii. The segregated batch increases from 75,000 barrels to 95,000 barrels due to pipeline interface cuts.
 - iii. The A grade buffer batch volume is reduced to 5,000 barrels.
- 10. Product gains of the segregated batch and losses of the A grade will be settled based on the guidelines provided in the *Shipper Manual, Section 2.9.2 Physical Adjustment and Surplus Settlement Pricing*.

###