

# Viridian Pipeline Schedule 4 Proposed Proration Policy

## A. PURPOSE OF THIS PRORATION POLICY

There may be times when Carrier in its sole discretion determines that its capacity is not sufficient to transport the full volume of nominated volumes submitted to it by shippers. If increased capacity is not readily available, a method to provide equitable proration of capacity to shippers will be utilized. The purpose of this document is to describe Carrier's proposed method.

## B. DEFINITIONS

1. **Base Period** - the "Base Period" is the 12-month period commencing on the first day of the month that is 13 months prior to the month during which proration is to occur and extending through the last day of the second month proceeding the prorated month. For example, if proration occurs in February 2010, the Base Period will be January 1, 2009 through December 31, 2009.
2. **Regular Shipper** - a "Regular Shipper" is any shipper who shipped on the prorated segment for at least 8 months during the Base Period. A shipper will lose its Regular Shipper status when it has not shipped for at least 8 months during the Base Period.
3. **New Shipper** - a "New Shipper" is any shipper other than a Regular Shipper and/or a Committed Capacity Shipper.
4. **Committed Capacity Shipper** - a "Committed Capacity Shipper" is a shipper that executed a Transportation Services Agreement (TSA) with Carrier based on the 2007 Notice of Open Season.
5. **Base Capacity** - the "Base Capacity" is the uncommitted pipeline capacity remaining following the allocation of Total System Capacity pursuant to the 2007 Open Season process.
6. **Committed Capacity** - the "Committed Capacity" is the pipeline capacity committed to shippers as a result of the 2007 Open Season process.
7. **Total System Capacity** - the "Total System Capacity" is Base Capacity plus Committed Capacity.
8. **Average Daily Volume** - the "Average Daily Volume" is the average of a Regular Shipper's volumes received by Carrier into the Prorated Segment during the Base Period.
9. **Prorated Segment** - the "Prorated Segment" of Carrier's pipeline system, any one or more of which that Carrier declares to be a "Prorated Segment" due to receipt of nominations in excess of available capacity or Force Majeure event, shall be treated as a

separate entity with regard to the application of the definitions of a "Regular Shipper," "Committed Capacity Shipper" and "New Shipper" as defined above.

### **C. PRORATION PROCEDURES**

1. **New Shipper Proration** – Ten percent (10%) of the Base Capacity will be allocated among all New Shippers, if any, on a pro rata basis of current nominations.
2. **Regular Shipper Proration** – Ninety percent (90%) of the pipeline's Base Capacity shall be allocated among Regular Shippers in proportion to their Average Daily Volume until ninety percent (90%) of the Base Capacity has been distributed to the Regular Shippers or all of the Regular Shippers have been allocated a volume equal to their nominations, whichever occurs first.
3. **Committed Capacity Shippers Proration** – Committed Capacity shall be allocated among Committed Capacity Shippers in proportion to their TSA commitments until the Committed Capacity has been distributed to the Committed Capacity Shippers or all of the Committed Capacity Shippers have been allocated a volume equal to their TSA commitments, whichever occurs first.

### **D. ADDITIONAL PRORATION PROCEDURES**

1. If any additional Base Capacity exists after the application of Sections C.1 & C.2 such additional capacity shall be first allocated to New Shippers on a pro rata basis or Regular Shippers in proportion to their Average Daily Volume. If any additional Base Capacity remains, such additional capacity shall then be allocated to Committed Capacity Shippers in proportion to their TSA commitments.
2. If any additional Committed Capacity exists after the application of Section C.3, such additional capacity will be allocated to the other class(s) as follows:
  - a. In the case of a shortage of nominations by Committed Capacity Shippers, such additional capacity shall be allocated to Regular Shippers in proportion to their Average Daily Volume,
  - b. If any additional capacity remains after application of 2a above such additional capacity shall then be allocated to New Shippers on a pro rata basis. Nothing in this proration policy shall require the Carrier's total allocations to be less than the available capacity.
3. In addition, if the Prorated Segment is restricted because of a shipper's inability to meet Carrier's pumping and delivery rates, a volume equal to the volume of nominated capacity not utilized will be deducted from that shipper's succeeding month's allocation. The allocation reductions will not exceed the shipper's allocation, so any excess reductions will be carried forward to the next proration month.
4. If a Regular Shipper or New Shipper releases or is otherwise unable to use any or all of its allocated volume, Carrier will notify all the remaining shippers of the available space and will redistribute the space on a first-come, first-serve basis.