

# TRANS MOUNTAIN PIPELINE ULC

## Equalization Procedure

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**Issued By:**

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## 1 DEFINITIONS

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- 1.1. **"Carrier"** means Trans Mountain Pipeline ULC as General Partner of Trans Mountain Pipeline L.P.
- 1.2. **"Commingle"** and any derivative thereof, means for the purpose of this Procedure, the physical combination of separate Crude Streams into a single new Crude Stream in Receipt Tanks.
- 1.3. **"Crude Petroleum"** means "oil" as defined in the *National Energy Board Act* (Canada) ("Oil"), other than Refined Petroleum; provided that Refined Petroleum shall be deemed to be Crude Petroleum where it is (i) intermixed with Oil (other than Refined Petroleum) prior to receipt by Carrier; (ii) delivered to Carrier but subsequently intermixed with Oil including Refined Petroleum; or (iii) Tendered for transportation as Crude Petroleum under the provisions of these Rules and Regulations.
- 1.4. **"Crude Stream"** means a stream consisting of one or more Crude Petroleum types received at Edmonton, Alberta
- 1.5. **"Cubic Meter"** or **"m3"** means the volume of Petroleum which occupies one (1) cubic meter and equals 264.1721 United States gallons and 6.2898108 barrels.
- 1.6. **"Gross Standard Volume"** or **"GSV"** means a volume of Petroleum measured in Cubic Meters in accordance with standards established by ASTM in the API Manual of Petroleum Measurement Standards, Chapter 12, Section 2, Part 2 or the latest revision to such Standards.
- 1.7. **"Month"** means the period beginning at 7:00 a.m. Mountain Time on the first day of any calendar month and ending at 7:00 a.m. Mountain Time on the first day of the next calendar month.
- 1.8. **"Petroleum"** means Crude Petroleum, Refined Petroleum and any other petroleum product approved for transportation in accordance with the Commodity Acceptance Process.
- 1.9. **"Procedure"** refers to this Equalization Procedure as set forth herein.
- 1.10. **"Receipt Tank(s)"** means, for the purpose of this Procedure, Petroleum tanks owned by the Carrier and allocated for use to receive Petroleum for transportation service at Edmonton, Alberta.
- 1.11. **"Shipper"** means a Person that Tenders Petroleum pursuant to the Tariff.
- 1.12. **"Tender"** and any derivative thereof, means the delivery by a Shipper to Carrier at a Receipt Point of a stated quantity and type of Petroleum for transportation from a Receipt Point to a Delivery Point.
- 1.13. **"Weighted Average Differential Factor(s)"** or **"WADF"** means, for the purpose of this Procedure, the equalization value provided by the feeder pipeline(s) feeding into the commingled stream.
- 1.14. **"Weighted Average Equalization Rate(s)"** or **"WAER"** means, for the purpose of this Procedure, the equalization rate as calculated in Rules 2.1.2 and 2.1.3.
- 1.15. Capitalized terms in this Procedure that are not defined in this Procedure are defined in Carrier's Rules and Regulations currently in effect and on file with the National Energy Board.

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## 2. Equalization

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- 2.1. To fully utilize Carrier's Receipt Tanks at Edmonton, Carrier may Commingle similar Crude Streams<sup>1</sup>. This Procedure outlines the process in calculating the Crude Petroleum differentials which determines the impact on Shipper as either a payment or a refund each Month. Information on Commingled Crude Streams may be obtained by contacting the current designated Shipper contact of the Carrier's Shipper Services department, or other designated Shipper contact as requested in writing by Shipper.
  - 2.1.1. Each feeder pipeline supplying Crude Stream(s) impacted by this Procedure will issue an equalization statement of Weighted Average Differential Factor(s) for their respective Crude Stream(s).
  - 2.1.2. The Weighted Average Equalization Rate for all Commingled Crude Petroleum in a given Month will be calculated as follows:

The sum of the Gross Standard Volume of each type of Commingled Crude Petroleum Tendered by all Shippers multiplied by the respective Weighted Average Differential Factor for each type of Commingled Crude Petroleum divided by the total Gross Standard Volume of Commingled Crude Petroleum.
  - 2.1.3. Each Shipper Tendering Commingled Crude Petroleum will have their own Weighted Average Equalization Rate calculated for the Month as follows:

The sum of the Gross Standard Volume of each type of Commingled Crude Petroleum Tendered by Shipper multiplied by the respective Weighted Average Differential Factor for each Commingled Crude Petroleum type divided by the total Gross Standard Volume of Commingled Crude Petroleum Tendered by Shipper.
  - 2.1.4. The equalization amount for each Shipper is equal to Shipper's Weighted Average Equalization Rate for Commingled Crude Petroleum calculated in Rule 2.1.3 minus the Weighted Average Equalization Rate for all Commingled Crude Petroleum calculated in Rule 2.1.2 multiplied by the total Gross Standard Volume of Commingled Crude Petroleum Tendered by Shipper.
  - 2.1.5. If the equalization amount is positive, then the Shipper will receive a payment invoice. If the equalization amount is negative, then the Shipper will receive a refund invoice.

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<sup>1</sup> Commingling of separate Crude Streams into Receipt Tanks requires Shipper compensation for any Crude Petroleum quality differentials.

## Appendix A

### Example

Each feeder pipeline supplying Crude Stream(s) impacted by this Procedure will issue an equalization statement of Weighted Average Differential Factor(s) for their respective Crude Stream(s).

The Weighted Average Equalization Rate for all Commingled Crude Petroleum in a given Month will be calculated as follows:

The sum of the Gross Standard Volume of each type of Commingled Crude Petroleum Tendered by all Shippers multiplied by the respective Weighted Average Differential Factor for each type of Commingled Crude Petroleum divided by the total Gross Standard Volume of Commingled Crude Petroleum.

Figure 1 - Weighted Average Equalization Rate for <u>all</u> Shipper's Commingled Crude Petroleum				
All Volumes	Receipt and Transfer Volumes		Weighted Average Differential Factor	Value
Crude A	-	x	\$ (0.23)/m <sup>3</sup>	= \$ -
Crude B	120,000.0 m <sup>3</sup>	x	\$ 3.58 /m <sup>3</sup>	= \$ 429,600.00
Crude C	140,000.0 m <sup>3</sup>	x	\$ (1.26)/m <sup>3</sup>	= \$(176,400.00)
Crude D	121,000.0 m <sup>3</sup>	x	\$ (0.58)/m <sup>3</sup>	= \$ (70,180.00)
Crude E	-	x	\$ -	= \$ -
	<b>381,000.0 m<sup>3</sup></b>			<b>\$ 183,020.00</b>
				<b>\$ 0.4804/m<sup>3</sup></b>

Each Shipper Tendering Commingled Crude Petroleum will have their own Weighted Average Equalization Rate calculated for the Month as follows:

The sum of the Gross Standard Volume of each type of Commingled Crude Petroleum Tendered by Shipper multiplied by the respective Weighted Average Differential Factor for each Commingled Crude Petroleum type divided by the total Gross Standard Volume of Commingled Crude Petroleum Tendered by Shipper.

Figure 2 - Weighted Average Equalization Rate for Shipper's Commingled Crude Petroleum				
Shipper's Volumes	Receipt and Transfer Volumes		Weighted Average Differential Factor	Value
Crude A	-	x	\$ (0.23)/m <sup>3</sup>	= \$ -
Crude B	42,000.0 m <sup>3</sup>	x	\$ 3.58 /m <sup>3</sup>	= \$ 150,360.00
Crude C	25,000.0 m <sup>3</sup>	x	\$ (1.26)/m <sup>3</sup>	= \$ (31,500.00)
Crude D	43,000.0 m <sup>3</sup>	x	\$ (0.58)/m <sup>3</sup>	= \$ (24,940.00)
Crude E	-	x	\$ -	= \$ -
	<b>110,000.0 m<sup>3</sup></b>			<b>\$ 93,920.00</b>
				<b>\$ 0.8538/m<sup>3</sup></b>

The equalization amount for each Shipper is equal to Shipper's Weighted Average Equalization Rate for Commingled Crude Petroleum calculated in Figure 2 minus the Weighted Average Equalization Rate for all Commingled Crude Petroleum calculated in Figure 1 multiplied by the total Gross Standard Volume of Commingled Crude Petroleum Tendered by Shipper.

$$\text{\$ } 0.8538/\text{m}^3 - \text{\$ } 0.4804/\text{m}^3 = \text{\$ } 0.3735/\text{m}^3$$

$$\text{\$ } 0.3735/\text{m}^3 \times 110,000.0 \text{ m}^3 = \text{\$ } 41,079.58$$

If the equalization amount is positive, then the Shipper will receive a payment invoice. If the equalization amount is negative, then the Shipper will receive a refund invoice.

# Appendix B

## Commingled Stream Equalization Statement

### Trans Mountain Pipeline Commingled Stream Equalization Statement

September 24, 2009

To: Mr. Smith, Shipper1 Ltd  
 Ph: 123-4567  
 Fax: 123-4567  
 Email: [MSmith@shipper1.com](mailto:MSmith@shipper1.com)

Trans Mountain Pipeline Commingled Stream Equalization for the month of : **Jun-09**

Commodity Stream Weighted Average			Receipt & Transfer		
Differential Factor (WADF)			Commodity Volume (m3)	Value	WAER
Crude1	\$	(0.23)	0.0	\$ -	
Crude2	\$	3.58	120,000.0	\$ 429,600.00	
Crude3	\$	(1.26)	140,000.0	\$ (176,400.00)	
Crude4	\$	(0.58)	121,000.0	\$ (70,180.00)	
Crude5	\$	-	0.0	\$ -	
			381,000.0	\$ 183,020.00	<b>\$ 0.48</b>

#### Shipper Receipt Split Allocation:

Shipper	Shipper1		
	Volume (m3)	WADF	Value
Crude1	0.0	\$ (0.23)	\$ -
Crude2	42,000.0	\$ 3.58	\$ 150,360.00
Crude3	25,000.0	\$ (1.26)	\$ (31,500.00)
Crude4	43,000.0	\$ (0.58)	\$ (24,940.00)
Crude5	0.0	\$ -	\$ -
	110,000.0		\$ 93,920.00
Shipper WAER			<b>\$ 0.85</b>

Shipper1's WAER of \$0.85/m<sup>3</sup> is larger then the WAER of \$0.48/m<sup>3</sup> for all Shippers Commingled Crude Petroleum.

Shipper1 is required to pay the invoiced amount of \$41,079.58.

\$ 0.85 \$ 0.48 **\$ 0.37**  
**\$ 41,079.58 Please pay invoice**  
**o.k.**