

TESORO LOGISTICS NORTHWEST PIPELINE LLC

RULES AND REGULATIONS TARIFF
Governing the Interstate Transportation of

PETROLEUM PRODUCTS
(As Defined Herein)

BY PIPELINE
BETWEEN POINTS IN TARIFFS MAKING REFERENCE HERETO

GENERAL APPLICATION

Carrier will accept and transport Petroleum Products offered for transportation through Carrier's Facilities only as provided in this Rules and Regulations tariff. Specific rules and regulations published in individual tariffs will take precedence over the general Rules and Regulations published in this tariff.

The Rules and Regulations, published herein, apply only under tariffs making specific reference by F.E.R.C. Number to this tariff; such reference will include successive issues hereof.

Filed in compliance with 18 CFR § 341.3

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

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Explanations of Terms and Abbreviations

Terms and Abbreviations	Explanation
API	American Petroleum Institute
ASTM	American Society for Testing Materials
Barrel	Forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero (“0”) gauge pressure if the vapor pressure of the Petroleum Product is at or below atmospheric pressure of the Petroleum Product is greater than atmospheric pressure
Batch	Volume of Petroleum Product moved through Carrier’s system as an identifiable unit
Carrier	Tesoro Logistics Northwest Pipeline LLC
Delivery	Transfer from Carrier at destination point to Shipper’s or Consignee’s facilities
Diversion or Reconsignment	Written order, placed after the original Tender, by a Shipper to the Carrier to deliver Petroleum Products to a Consignee and/or a destination different than that indicated in the original Tender
F.E.R.C	Federal Energy Regulatory Commission
Gross Standard Volume	Volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API MPMS Chapter 11.1
MMT	Methycyclopentadienyl Manganese Tricarbonyl
MTBE	Methyl Tertiary Butyl Ether
No.	Number
Petroleum Products	Refined Petroleum Products or Petrochemical Products conforming to standards of applicable governmental authority at scheduled destinations, any applicable current ASTM Standard Specifications, and requirements established by Carrier
Receipt	Transfer from Shipper at origin to Carrier for transportation
Shipper	Party who contracts with Carrier for the transportation of Petroleum Products under the terms of this tariff
TAME	Tertiary Amyl Methyl Ether
Tender	Written designation by a Shipper to the Carrier of an approximate quantity of Petroleum Products for transportation from a specified origin point(s) to a specified destination point(s) over a period of one operating month in accordance with these Rules and Regulations

RULES, REGULATIONS AND CONDITIONS

Rule 1 Specifications and Restrictions

Carrier is engaged primarily in the transportation of petroleum products as defined in the individual tariffs and will not accept any other commodity for transportation under tariffs making reference hereto. See individual tariffs for specifications and restrictions.

Petroleum products tendered for transportation which differs in quality or characteristics from that usually transported by the Carrier, will, at the option of the Carrier, be transported under such terms as Shipper and the Carrier may agree. Such commodities will only be transported, as time permits, with existing facilities and when they will not seriously impair the quality of other shipments.

Rule 10 Tenders

Any Shipper desiring to tender Petroleum Products for transportation hereunder shall on, or before the 15th day of the calendar month, provide Carrier an electronic designation of quantity of such Petroleum Products for transportation from a specified origin point to a specified destination point over a period of one operating month via Carrier's electronic nomination system.

Unless such notification is made, and received by Carrier, Carrier shall be under no obligation to accept Petroleum Products for transportation.

Rule 15 Penalty for failure to provide required documentation

Carrier may require Shipper to provide to Carrier a certification containing the following information regarding the product to be shipped:

- Product Code for Product Transfer Document ("PTD") purposes
- Certificate of Analysis ("C of A") on CPL-provided form(s) to include sulfur content

Should Shipper fail to tender to Carrier the requisite information upon request, Carrier has the right to decline transportation of Shipper's Petroleum Product.

Rule 20 Minimum Batch at Origin

Petroleum Products will be accepted for transportation at the point of origin in quantities of not less than five thousand (5,000) barrels from one Shipper, for any one commodity of quality and specifications as described herein

Rule 30 Minimum Delivery at Destination

Carrier will deliver all or part of any shipment of Petroleum Products at any destination provided that the quantity of Petroleum Products of the same specification delivered to Shipper or one Consignee at any destination is not less than two thousand five hundred (2,500) barrels.

Rule 40 Origin and Destination Facilities

Petroleum Products will be accepted for transportation only when Shipper has provided equipment and facilities satisfactory to Carrier at both the origin and destination points. Shipper's pumping pressures and rates must meet Carrier's requirements. Carrier may require satisfactory evidence that the necessary facilities are available at origin and destination before Carrier is obligated to accept tenders for transportation.

Rule 50 Measurement

All shipments tendered to the Carrier for transportation shall be tested, gauged, or metered by a representative of Carrier prior to, or at the time of Receipt or Delivery. The Shipper or Consignee shall at all times have the privilege of being present or represented during the testing, gauging, or metering.

Quantities shall be in Gross Standard Volume (GSV) per API MPMS Chapter 11.1, deductions may be made for inherent system losses, water and other impurities in Petroleum Products received or delivered, and the resulting balance will be the quantity deliverable by the Carrier.

Rule 60 Product Temperature

The maximum temperature of any Petroleum Products accepted for transportation will be one hundred and twenty degrees (120°) Fahrenheit.

Rule 70 Additives

Carrier reserves the right to require, approve, limit or reject the injection of all corrosion inhibitors, viscosity or pour point depressants, drag reducing agents or other such additives in the Petroleum Products to be transported before such Petroleum Products will be accepted for transportation and may restrict Delivery of Petroleum Products to destination points based on the actual concentration of such additives upon delivery.

Gasolines containing MMT and/or oxygenates such as methanol, ethanol, TAME, or MTBE as blending components will not be accepted for shipment.

Rule 80 Overages and Shortages

~~[C] In systems with one Shipper, overages and shortages will be the sole responsibility of the Shipper. In systems with two or more Shippers, the following procedures will apply.~~

~~[C] At the beginning of each year, or at the beginning of the first month in which the system has two or more Shippers, Carrier will establish a measurement tolerance equal to the lesser of~~

- ~~(a) the moving three year system average by product type for overages and shortages, or~~
- ~~(b) 0.25% for gasoline grades and 0.125% for distillate grades.~~

~~[C] At the end of each year, Carrier will calculate the total system overage or shortage by product type. If the system overage or shortage exceeds the established measurement tolerance, Carrier shall invoice or reimburse Shipper for its proportional share of volume outside the measurement tolerance.~~

~~[C] Settlement of any proportional share of volume will be based on the twelve month average of the monthly average value of Petroleum Products at the point where transportation originated, as quoted in an industry accepted price service selected by Carrier.~~

~~[N] Shippers shall accept and be responsible for handling any interface generated within or between commodities. Shipper shall provide tankage or otherwise provide required facilities to receive its portion of interface.~~

~~[N] To ensure that Shippers are kept whole, actual overages and shortages shall be settled on a per barrel basis for each pipeline system. When Carrier has moved quantities in excess of quantities received into the system for Shipper, Shipper will be invoiced for the over delivery by the Carrier. When the Carrier has moved quantities short of quantities received into the system for Shipper, the Carrier will pay the Shipper for the shortage. Payment will be based on the value of the Petroleum Products as quoted in OPIS (Oil Price Information Service), or other industry accepted price service selected by the Carrier.~~

Rule 90 Identity of Petroleum Products

Petroleum Products will be accepted for transportation only on condition that such Petroleum Products shall be subject to such changes in quality while in transit as may result from the mixture of such Petroleum Products with other Petroleum Products in the lines of Carrier. In view of the impracticability of maintaining the exact identity of Petroleum Products at all times, the Carrier reserves the right at any time to substitute and deliver Petroleum Products of like kind as the Petroleum Products accepted for transportation.

Rule 100 Petroleum Products Involved in Litigation

When any Petroleum Product(s) tendered for transportation is involved in litigation, disputed ownership, or encumbrance by lien or charge of any kind, Shipper shall so advise Carrier in writing. Carrier may refuse to accept Receipt of such Petroleum Product(s) or may require of the Shipper or Shippers an indemnity bond or other form of financial undertaking deemed sufficient by Carrier to protect it against any and all loss.

Rule 110 Delivery at Destination, Demurrage

Carrier shall notify the Shipper or Consignee of the arrival at destination of each shipment. Upon arrival at destination, the Petroleum Products will be delivered to storage tanks of Shipper or consignee, through the facilities provided by the Shipper or Consignee.

If the Shipper or Consignee is unable or refuses to receive without delay said Petroleum Products upon arrival at destination, the Carrier reserves the right to make whatever arrangements for disposition of the Petroleum Products it deems appropriate in order to clear its pipeline. All expense incurred by the Carrier in making such arrangements shall be borne by the Shipper.

Rule 120 Scheduling, Special Transit Conditions

For each calendar month, Carrier will establish a sequence for pumping Petroleum Products and will schedule the approximate time when Petroleum Products tendered for shipment will be received by Carrier at origin points and delivered by Carrier at destination points. Carrier will inform each Shipper of the time within each calendar month when Petroleum Products will be received from such Shipper at origin points. Carrier will inform each Shipper or its Consignee of the approximate time within each calendar month when Petroleum Products will be delivered to such Shipper or Consignee at destination points. Carrier does not guarantee to transport shipments of Petroleum Products in continuous movement.

Rule 130 Rates Applicable

Petroleum Products transported shall be subject to the tariff rate(s) in effect on the date such Petroleum Products are delivered by the Carrier.

Rule 140 Diversion or Reconsignment

Diversion or reconsignment may be made without charge if requested by Shipper at least forty-eight (48) hours prior to scheduled arrival at original destination point, subject to the rates, rules and regulations applicable from origin point to final destination point, upon condition that no out-of-line or backhaul movement will be made.

Rule 150 Payment of Transportation and Other Charges

The Shipper shall be obligated to pay Carrier all charges and fees upon Carrier's performance of the designated service(s). Payment of such charges and fees shall be made in accordance with invoice terms and these rules and regulations. The Carrier may, at its option, require the Shipper to pay all such charges and fees in advance or to provide an irrevocable letter of credit satisfactory to the Carrier. Carrier is entitled to a lien for all unpaid accrued charges and fees. Such lien attaches to any Commodity retained by Carrier for the Shipper's account. Carrier may refuse to deliver to the Shipper until all charges or fees owed to Carrier have been paid in full by such party.

If any charge remains unpaid after the payment due date, then Carrier may determine such amount due shall bear interest calculated at an annual rate equivalent to 125% of the prime rate as quoted by a major New York bank for loans made to substantial and responsible commercial borrowers from the payment due date of the invoice to the date payment is received by the Carrier.

If any such charges or fees remain unpaid for thirty (30) calendar days after the payment due date, the Carrier shall have the right, either directly or through an agent, to sell any of the Shipper's commodities within the custody of the Carrier. From the proceeds of this sale, Carrier will deduct all transportation charges, other lawful charges and fees and interest due to Carrier, including expenses incident to said sale, and the balance of the remaining proceeds, if any, shall be held by Carrier for whomsoever may be lawfully entitled thereto. If proceeds from such sale are not sufficient, Shipper will remain liable for any deficiency including the above interest charges

Rule 160 Apportionment When Tenders Are In Excess of Facilities

1. **Definition of terms.** Except where the context requires another meaning, the following terms have the following meanings:
 - 1.1 "New Shipper" means a Shipper that is not a Regular Shipper. A Shipper that becomes a New Shipper shall remain one for twelve (12) consecutive calendar months.
 - 1.2 "Regular Shipper" means a Shipper that has –
 - (a) shipped Petroleum Products on the Carrier's system within the 12-month period preceding the first day of a month in which the system or a portion of the system is prorated; and
 - (b) first shipped Petroleum Products on the system more than twelve (12) months prior to the first day of the month in which the system is prorated.
2. **Prorating of capacity.**
 - 2.1 *When capacity will be prorated.* The Carrier will prorate the capacity of its system or a portion of its system during any month when, based upon the tender origin forms properly submitted by Shippers, the Carrier determines, in its sole discretion, that the total volume nominated by all Shippers for shipment on the Carrier's system or portion thereof during that month exceeds the capacity of the system or portion thereof.
 - 2.2 *Division of capacity between Shipper classes.* Except as provided in paragraphs 2.7 and 2.9, prorated capacity shall be divided between Regular Shippers as a class and New Shippers as a class.

- 2.3 *Availability of capacity to Regular Shippers.* After the adjustment for New Shippers, as provided in paragraphs 2.5 and 2.6, all remaining capacity plus any pour-over capacity (as determined in accordance with paragraph 2.7) plus any unused allocated capacity as determined in accordance with paragraph 2.9 shall be available to Regular Shippers who have nominated volumes for that month.
- 2.4 *Allocation to each Regular Shipper.* Each Regular Shipper shall be allocated a volume of the capacity available to all Regular Shippers that is equal to a fraction, the numerator of which is the total shipments by that Shipper on the Carrier's system during the twelve (12) months preceding the first day of the month for which the Shipper's allocation is being calculated, and the denominator of which is the total shipments during such 12-month period by all Regular Shippers, multiplied by the total capacity available to all Regular Shippers during that month.
- 2.5 *Availability of capacity to New Shippers.* Not more than five (5) percent of the total available prorated capacity of the Carrier's system or portion thereof shall be made available to New Shippers.
- 2.6 *Allocation to each New Shipper.* Each New Shipper shall be allocated a volume of the capacity available to all New Shippers which is equal to the lesser of –
- (a) five (5) percent of the total available prorated capacity of the Carrier's system or portion thereof divided by the number of New Shippers who nominated volumes for shipment on the system or portion thereof during the month for which the allocation is being calculated; or
 - (b) 1.25 percent (one-fourth of 5%) of the available capacity of the system or portion thereof for that month.
- 2.7 *Pour-over capacity.* Any amount of prorated capacity which is available to New Shippers under the rules in paragraphs 2.5 and 2.6 but is not nominated by an eligible New Shipper shall be deemed "pour-over capacity" and shall be made available to Regular Shippers in accordance with the rules in paragraphs 2.3 and 2.4.2.8 *Basis for allocation: notification.* When prorating of the capacity of the Carrier's system or portion thereof is in effect –
- (a) the Carrier's available capacity shall be allocated among eligible Shippers on a monthly basis; and
 - (b) the Carrier shall use reasonable efforts to notify each Shipper entitled to an allocation of capacity of the amount of its allocation not later than the first working day of the month for which the allocation is made.
- 2.9 *Reallocation of unused allocated capacity.* If, during a month of prorating, a Shipper fails to use all of its allocated capacity, such unused capacity shall be available to other Shippers, as follows:
- (a) Unused allocated capacity resulting from a Regular Shipper's failure to use all of its allocated capacity shall be reallocated among other Regular Shippers in accordance with the rules in paragraph 2.4.
 - (b) Unused allocated capacity resulting from a New Shipper's failure to use all of its allocated capacity shall be reallocated among other New Shippers in accordance with the rules in paragraph 2.6. If, however, the reallocation would cause any New Shipper's total allocation for a month to exceed 1.25 percent of the available capacity for that month, such excess shall be treated as unused allocated capacity and shall be reallocated among Regular Shippers in accordance with the rules in subparagraph (a) of this paragraph.
- 2.10 *Failure to use allocated capacity.*
- (a) Except as provided in subparagraph (b) of this paragraph, a Shipper that fails to use all of its allocated capacity during a month of prorating shall have its allocation of capacity reduced in each subsequent month of prorating until the total reductions equal the amount of the deficiency. The amount of any such reduction shall be treated as unused allocated capacity and shall be reallocated among other Shippers in accordance with the rules in paragraph 2.9.
 - (b) Reduction of a Shipper's allocation for failure to use its allocated capacity during a prior month of prorating may be waived, in whole or in part if the Carrier determines, in its sole discretion, that the Shipper's failure to use all or some of its allocated capacity was due to factors beyond the Shipper's reasonable control.
- 2.11 *Transfer of prorated capacity; use of affiliates.* Except as provided in paragraph 2.9, prorated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an affiliated or cooperating entity to obtain an increased allocation of prorated capacity or, in the case of a Regular Shipper, seek New Shipper status in order to pool two or more allocations to the benefit of

the Shipper.

Rule 170 Liability of Parties

As a condition to Carrier's acceptance of Petroleum Products under this tariff, each Shipper agrees to hold harmless, indemnify and defend Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of Carrier, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives, and 2) the negligent act(s) or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Petroleum Products.

The Carrier, while in possession of Petroleum Products herein described, shall not be liable for any loss, damage, or delay caused by act of God, war, act of public enemy, quarantine, the authority of law, strikes, riots, civil disorder, requisition or necessity of the Government of the United States in time of war, default of Shipper, Consignee, their agents, employees or representatives, or from any cause not due to the sole negligence of the Carrier.

In case of loss of any Petroleum Products from any such causes, after it has been received for transportation and before the same has been delivered to Shipper or Consignee, such loss will be charged proportionally to each Shipper in the ratio that its Petroleum Products, or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Petroleum Products then in the custody of the Carrier for transportation via the lines or other facilities in which the loss occurs.

Carrier will be obligated to deliver only that portion of such Petroleum Products remaining after deducting Shipper's proportion of such loss determined as aforesaid. Transportation charges will be assessed only on the quantity delivered.

For Petroleum Products losses for which Carrier is liable, Carrier may obtain and deliver to Shipper other Petroleum Products of the same quantity and substantially the same grade as that which is lost, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in United States currency at market price as quoted in an industry-accepted price service selected by Carrier.

Rule 180 Intrasystem Change of Ownership

No transfers of ownership by Shipper of Petroleum products in Carrier's custody will be recognized or recorded by the Carrier.

Rule 190 Application of Rates from/to Intermediate Origin /Destination Points

For Petroleum Products accepted for transportation from any origin point on Carrier's lines not named in the individual tariff, which is intermediate to any published origin and/or destination points for which rates are published, Carrier will apply from such unnamed point the rate published from the next more distant point specified. If branch or diverging lines create two or more "next more distant points," Carrier will apply the rate which will result in the lowest charge.

For Petroleum Products accepted for transportation to any destination point on Carrier's lines not named in the individual tariff, which is intermediate to any published destination and/or origin points for which rates are published, Carrier will apply to such unnamed point the rate published to the next more distant point specified. If branch or diverging lines create two or more "next most distant points," Carrier will apply the rate which will result in the lowest charge.

Carrier will file a tariff applicable to such transportation movements within 30 days of the start of the service if the intermediate point is to be used on a continuous basis for more than 30 days.

Rule 200 Claims, Time for Filing

Claims for loss or damage must be made in writing with Carrier within nine (9) months after Delivery of the Petroleum Products, or in case of a failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after Delivery of the Petroleum Products, or in case of a failure to make Delivery, then within two (2) years and one (1) day after a reasonable time for Delivery has elapsed; provided, however, that where claims have been duly filed with the Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by the

Carrier to the claimant that the Carrier has disallowed the claim for any part or parts thereof specified in the notice. Where claims for loss or damage are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier shall have no liability therefore.

Rule 220 Pipeage Contracts Required

Separate contracts, in accordance with these rules and regulations, covering facilities, rights of way, actual connection to Carrier, and other details, may be required by the Carrier before any duty for transportation shall arise.

Rule 230 Connection Policy

Connections to Carrier's pipeline(s) will only be considered if made by formal written notification to Carrier and after signing a connection agreement with Carrier. All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of the Carrier's pipeline(s) in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

Rule 240 Pumping Service

Pumping Service is not applicable unless otherwise noted within individual tariffs.

Rule 250 Credit-worthiness of Shippers

All prospective Shippers must submit sufficient financial information to establish credit-worthiness. If a prospective Shipper is not credit-worthy, or if a current Shipper's credit deteriorates, Carrier may require prepayment of transportation charges and/or a letter of credit from an appropriate financial institution in a form acceptable to Carrier.

This is in addition to, and does not limit, Carrier's right to prepayment or furnishing of guaranty of payment under Rule 150.

EXPLANATION OF REFERENCE MARKS:

[N] New
[C] Cancel