

4. OPERATING CONTROLS

4.1 Custody Transfer

Custody Transfer, the transfer of product from or to a Shipper, normally occurs at point of measurement, e.g. through meters, or in the following manner:

Receipts - Custody of product is assumed by Buckeye at the primary valve or valves within Buckeye's receipt location.

Deliveries - Custody of product is transferred to the terminal owner at the terminal manifold within Buckeye's delivery terminal.

4.2 Transmix, Product Contamination, Downgrades, and Buffers

In order to protect product integrity upon receipt and delivery, it often becomes necessary for Buckeye to “cut” or separate the interface that is generated between batches of dissimilar products (e.g., gasoline and distillates). This material, which varies in volume and content depending upon the two products involved and their routing through the pipeline system, is commonly referred to as “transmix.”

In all cases, transmix remains the financial responsibility of the Shipper. Therefore, the Shipper must arrange for the availability transmix storage facilities at the origin, intermediate, or destination terminal. Buckeye's Transportation Department will attempt to assist the Shipper in the event that such facilities are unavailable.

In some cases, Buckeye or the Tanker (Supplier or Delivery Terminal) may act as the agent for storing the transmix and arranging the processing or blending of the transmix, as described below:

Buckeye Facilities--General

In general, Buckeye will act as the agent for transmix handling, transportation, and sale at facilities where transmix storage is available. Settlement will be made with shippers based on Buckeye's settlement price and product loss allocation policies found in Section 5 (Accounting Procedures) except at Clermont and Taylor where shippers will be reimbursed for transmix delivered to the terminal storage based on the monthly sale price per Buckeye's agreement with the transmix processing facility.

Transmix Received at Origin (Eastern Products System and Long Island System)—Linden, NJ (excludes Sewaren and Port Reading)

Transmix generated on interface between receipts into the Linden, NJ tank farm on origin terminal delivery lines will be invoiced to the origin supplier who will then pass these costs on to the appropriate party or parties associated with the shipment.

Transmix associated with other operating incidents deemed to be caused upstream of Buckeye facilities, such as product contamination from manifolds, leaking valves, or piping, may be invoiced directly to the shipper or may be invoiced to the origin supplier who will then pass these costs on to the appropriate party or parties associated with the shipment depending on the circumstances of the incident. A representative of the Buckeye Measurement and Quality Control Group will make determinations concerning the billing of operating incidents.

Transmix Received at Origin (Eastern Products System, Laurel Pipe Line, and Jet Lines)—Booth, Macungie, Coraopolis, and Indianola in PA; Sewaren and Port Reading in NJ; and New Haven, CT

Transmix generated upstream of Buckeye on origin terminal delivery lines or connecting carrier pipelines is the responsibility of the Shipper(s) of the batches into Buckeye and will be ticketed as transmix receipts based on 50% responsibility of the gasoline shipper and 50% responsibility of the distillate shipper. In the case where the custody meter is owned by the connecting carrier pipeline, Buckeye tickets will reflect transmix received and clean product. Buckeye will request ticket adjustments from the connecting carrier to reflect the receipt of transmix at origin.

Transmix associated with operating incidents deemed to be caused upstream of Buckeye facilities, such as product contamination from manifolds, leaking valves, or piping, may be invoiced directly to the shipper or may be invoiced to the origin tanker who will then pass these costs on to the appropriate party or parties associated with the shipment depending on the circumstances of the incident. A representative of the Buckeye Measurement and Quality Control Group will make determinations concerning the billing of operating incidents.

Transmix Received at Origin (NORCO Pipe Line, Midwest Products System and Wood River Pipe Lines)—East Chicago, IN; Hartsdale, IN; Lima, OH; Woodhaven, MI; Inkster, MI; Detroit, MI; Toledo, OH; Hartford, IL; Wood River, IL; Argo, IL; and East Chicago (Hammond), IN.

Transmix generated upstream of Buckeye on tanker facility delivery lines or connecting carrier pipelines is the responsibility of the Shipper(s) of the batches into Buckeye and will be ticketed as transmix receipts based on 100% responsibility of the distillate shipper. In the case where the custody meter is owned by the connecting carrier pipeline, Buckeye tickets will reflect transmix received and clean product. Buckeye will request ticket adjustments from the connecting carrier to reflect the receipt of transmix at origin.

Transmix associated with operating incidents deemed to be caused upstream of Buckeye facilities, such as product contamination from manifolds, leaking valves, or piping, may be invoiced directly to the shipper or may be invoiced to the tanker who will then pass these costs on to the appropriate party or parties associated with the shipment depending on the circumstances of the incident. A representative of the Buckeye Measurement and Quality Control Group will make determinations concerning the billing of operating incidents.

Transmix Generated En-route to Destination (Eastern Products System, Long Island System, Laurel Pipe Line, Jet Lines System, and Wood River Pipe Lines)

Transmix interface generated in transit on Buckeye's Eastern Products System, Long Island System, Laurel Pipe Line, Jet Lines System, and NORCO Pipe Line is the responsibility of Buckeye. If pipeline facilities are unavailable to handle pipeline transmix, shippers may be asked to assist in transmix handling for the pipeline to facilitate continued operation of the pipeline system.

Transmix Generated En-route to Destination (Midwest Products System and NORCO Pipe Line)

Transmix interface generated in transit on the Buckeye Midwest Products System is the responsibility of the distillate shipper unless other arrangements have been made with individual tanker delivery terminals.

Transmix or Product Downgrades Resulting from Operational Incidents (All Buckeye Systems)

Transmix or product downgrades resulting from product contamination resulting from a Buckeye caused operating incident is the responsibility of Buckeye. As part of the Buckeye Incident Prevention Program, the Buckeye Measurement and Quality Control Group will perform root cause analysis to determine the cause of the product contamination, recommend operating changes to prevent future incidents, facilitate the handling of the contaminated product with the involved shippers and tankers, and assign responsibility for the downgrade costs. The results of the root cause analysis and recommendations will be available to shippers associated with the batch.

Buffer

In the movement of Intermediate Petroleum Products (See Section 6.2) and other quality sensitive products, Buckeye reserves the right to require the Shipper to provide buffer material of suitable kind and quantity as a means to protect the integrity of the batch. Buckeye's Transportation Department will advise the Shipper of this requirement as it applies to specific movements.

4.3 Measurement

Metering and Tank Gauging are the methods utilized to determine the quantity of product received or delivered during custody transfer.

Metering

Custody transfer generally occurs by metering the product as it passes through Buckeye's owned and operated facilities at origin and destination. Buckeye commonly utilizes three types of meters: positive displacement (PD), turbine (inference type), and ultrasonic (wave transit principle) meters. These meters are subject to varying operating conditions; consequently the measurement data which they provide must be regularly checked or "proven." Buckeye "proves" each of its custody meters at least once a quarter. In addition, a meter will be

proven upon Shipper's request. Buckeye will furnish to the Shipper a copy of the prover report and encourages the Shipper to be present at any requested or routine proving.

Tank Gauging

Tank gauging is used for measuring the quantity of liquid in tankage. While there are various methods and techniques used by Buckeye in tank gauging, only hand gauging is used for custody transfer transactions. This method involves measuring the depth of liquid in a tank and calculating the volume using a volumetric table determined by tank calibration procedures outlined in American Petroleum Institute MPMS Ch. 2, "Tank Calibration." During tank gauging, it is customary to have a representative of Buckeye and the Shipper present. However, if a Shipper waives his right to witness a tank gauge, the measurement reported by Buckeye will determine quantity for custody transfer purposes.

Measurement Tickets

A measurement ticket is the written acknowledgement and record that a receipt or delivery of material (custody transfer) has taken place. It also serves as an agreement between the authorized representatives of the parties in the transaction and determines quantities used for billing purposes.

Buckeye has an automated ticketing system throughout its entire operation. All meter measurements and hand gaugings are entered into computerized equipment that generates, on location, a properly adjusted measurement ticket (see Examples 4-A to 4C). This ticket format is identical for receipt and delivery measurements.

In the event an intermediate agent (such as a fixed base operator at a major airport) accepts responsibility for custody of a total quantity of product on behalf of a number of clients (multiple Shippers), a list of consignees (actual Shippers/Owners of product) will appear on the printed ticket.

(See Sections 2.3, 2.4 and 6.4 for further information).

Measurement Calculations

All measured quantities for custody transfer, inventory accounting and billing purposes are adjusted from gross (observed) volume to net (temperature adjusted) volume at 60°F in accordance with relevant API MPMS Chapters. This adjustment calculation, which utilizes temperature, pressure and meter correction factors, is recorded on the ticket.

Example 4-A
METER TICKET

Meter Ticket Information

Carrier: Buckeye Pipe Line Company

P.O Box 368 Emmaus PA 18049-0368

Ticket #: BPL-CL-0028 Ticket Type: M
Batch #: BPL-BPL-075-403-M Receipt/Delivery: Delivery
Net Bbls: **435 Bbls**
Product Code: 075 Product Desc: MIDWEST GENERATED TRMX
Ticket Location: CL Description: CLERMONT
Exact Ticket: BPL-CL-0028

Ticket Date: 10/10/2002 15:23
Start Date: 10/10/2002 14:47
Stop Date: 10/10/2002 15:15

Shipper: Buckeye Pipe Line Company

Supplier: UNASSIGNED
Consignee: UNASSIGNED
Tanker: Buckeye Terminals, LLC

OBS Gravity: 39.8 Avg Temp: 65 Temp Correct: 0.9976
OBS Temp: Avg Pressure: 26 Pres Correct: 1.0001
Cor Gravity: Avg Flow Rate: 934 Composite Fact: 0.9259

Meter #	Barrels	Prover RPT	Meter Factor
11	470		0.928

Water Bbls: 0 Bbls
Gross Bbls: 470 Bbls

* Denotes change

Example 4-B
MEMO TICKET

Memo Ticket Information

Carrier: Buckeye Pipe Line Company

P.O Box 368 Emmaus PA 18049-0368

Ticket #:	BPL-TO-0173	Ticket Type:	O
Batch #:	BPL-BPL-112-998-N	Receipt/Delivery:	Receipt
Ticket Location:	TO	Description:	Toledo Terminal
Net Bbls:	420 Bbls		
Comment:	...CS RECEIPT...REC L/F FROM BEYE..INTO TK 3514..CALIB GS-19		
Product Code:	112	Product Desc:	CONV 87
Ticket Date:	10/14/2002 10:50		
Start Date:	10/14/2002 0:00		
Stop Date:	10/14/2002 0:00		

Shipper: Buckeye Pipe Line Company

Supplier: UNASSIGNED
Consignee: UNASSIGNED
Tanker: Buckeye Pipe Line Company

* Denotes change

Example 4-B TANK TICKET

Tank Ticket Information							
Carrier: Buckeye Pipe Line Company							
P.O Box 368	Emmaus PA	18049-0368					
Ticket #:	BPL-EC-0012	Ticket Type:	T				
Batch #:	BPL-BPL-077-191-N	Receipt/Delivery:	Delivery				
Net Bbls:	66 Bbls						
Comment	Pumped to Vac truck and delivered to BET.						
Product Code:	077						
Product Desc:	HI SUL CONV TRX						
Ticket Location:	EC	Tank #:	002				
Exact Ticket:	BPL-EC-0012						
Description:	E CHICAGO						
Ticket Date:	10/8/2002 7:51						
Start Date:	10/8/2002 9:48						
Stop Date:	10/8/2002 10:14						
Shipper: Buckeye Pipe Line Company							
Supplier:	UNASSIGNED						
Consignee:	UNASSIGNED						
Tanker:	Buckeye Pipe Line Company						
	<u>OPEN</u>				<u>CLOSE</u>		
Temperature:	60				60		
API Gravity:	50				50		
	FEET	INCH	FRACT				FEET
Gauge Reading:	2	4	8	0	3	8	
Gauged Bbls:	75 Bbls			9 Bbls			
	FEET	INCH	FRACT				FEET
Water Reading:	0	0	0	0	0	0	
Water Bbls:	0 Bbls			0 Bbls			
Adjusted Roof Barrels:	0			0			
Adjusted Bbls:	75 Bbls			9 Bbls			
Tank Shell Correction Factor:							
Temp Corr Fact:	1			1			
Corrected Bbls:	76 Bbls			10 Bbls			
Load Outs:				0			

* Denotes change