

5. ACCOUNTING PROCEDURES

5.1 CREDIT REQUIREMENTS

Credit is extended to Shippers provided that minimum financial requirements are initially met and that an acceptable financial posture and payment history is maintained.

1) NEW SHIPPERS

All prospective new Shippers are required to submit Form 5.1 "Request for Shipper Status."

Upon review by Buckeye's Accounting Management, the prospective new Shipper will be informed of its acceptance or rejection for credit extension and the relative credit limits imposed.

Additionally, the State of New York requires that all gasoline and distillate deliveries made into that state be made by registered companies (Article 12-A of New York State Tax Law effective December 1, 1986). This applies to both the shipper and consignee. Buckeye will not accept product for shipment without proof of Article 12-A registration.

2) EXISTING SHIPPERS

Buckeye continually reviews the financial position of its Shippers and reserves the right to limit credit availability to existing Shippers where financially prudent. Such limitations are generally negotiated between Buckeye and the Shipper.

3) PREPAY STATUS/LETTER OF CREDIT

For prospective new Shippers who do not submit the above information or do not meet Buckeye's credit requirements, as well as existing Shippers who are no longer financially qualified, Buckeye will provide its transportation services on a prepaid basis. In lieu of prepaid transportation services, such Shippers may also qualify for credit by providing a Letter of Credit from an acceptable financial institution. These arrangements should be made directly with Buckeye's Accounting Department.

5.2 BILLING

A Shipper is billed four times each month for all barrels delivered in each respective time period (see billing schedule at end of section). Transportation charges are billed four times during the month, whereas settlement and filtration charges are billed only at the end of the month. Receipt and delivery tickets are the controlling documents upon which such billing is based. Payment is due within 10 days from the invoice date, unless other payment terms have been arranged.

The billing documents included in the invoice package are as follows:

1) INVOICE

All current period charges are shown on this page. If month-end, transportation, settlement and filtration charges will all be shown, otherwise, only transportation charges will be shown on this page.

(See Page 1 of Example 5-A)

2) STATEMENT OF ACCOUNT

Buckeye does not routinely send a Statement of Accounts. Customers wishing a Statement of Account should contact revenue accounting on an "as-needed" basis.

3) TRANSPORTATION CHARGES

Transportation charges, billed four times per month, reflect rates published and filed with the Federal Energy Regulatory Commission and various State Public Utility Commissions, multiplied by the net volume of barrels delivered during the respective period. A "Summary of Transportation Charges," showing sub-totals by Delivery Location or Product Grade, is followed by the details of the Transportation Charges. The details of the charges are itemized by delivery location, product grade, ticket and batch. Additional information shown includes ticket date, origin, delivery, company, barrels, tariff number, tariff rate and charge amount.

(See Pages 2 through 5 of Example 5-A)

In order to calculate transportation charges for fungible batches originating into the Eastern Products System, Laurel Pipe Line, or Long Island System in Pennsylvania, New York, and New Jersey, deliveries are matched to receipts on a First-In First-Out ("FIFO") Accounting basis. For example, if shipper "ABC" had a fungible regular gasoline receipt ticket at Sewaren, NJ that was dated prior to their fungible regular gasoline receipt ticket at Linden, any fungible regular gasoline delivery for shipper "ABC" originating from the Linden area would get "matched" first to the Sewaren barrels, followed by the Linden barrels. This is demonstrated as follows:

RECEIPT TICKETS

<u>Date</u>	<u>Location</u>	<u>Batch #</u>	<u>Barrels</u>
09/12/02	Sewaren, NJ	XXX-ABC-102-615E	10,000
09/13/02	Linden, NJ	XXX-ABC-102-615E	10,000
09/13/02	Linden, NJ	XXX-ABC-102-615E	40,000

DELIVERY TICKETS

<u>Date</u>	<u>Location</u>	<u>Batch #</u>	<u>Barrels</u>
09/18/02	Syracuse, NY	ABC-102-615E	50,000
09/21/02	Rochester, NY	ABC-102-616E	10,000

TRANSPORTATION CHARGED

<u>Receipt Location (Company)</u>	<u>Delivery Location</u>	<u>Barrels</u>
Sewaren, NJ (XXX)	Syracuse, NY	10,000
Linden, NJ (YYY)	Syracuse, NY	10,000
Linden, NJ (ZZZ)	Syracuse, NY	30,000
Linden, NJ (ZZZ)	Rochester, NY	10,000

In order to calculate transportation charges for fungible batches originating into the Midwest Products System in Michigan, Ohio, and Indiana; for fungible batches originating into the NORCO Pipe Line in Indiana, Illinois, and Ohio; fungible batches originating in the Wood River Pipe Lines; or for segregated batches originating into the Jet Lines System in Connecticut and Massachusetts or Everglades Pipe Line in Florida, deliveries are matched to receipt based on the complete batch ID and batch sequence number.

Product received into the pipeline system during one period, but delivered the following period, will be included in in transit inventory and not charged for transportation until delivery has been made. In the case of a filed change in tariff rate, the tariff in effect on the date the product is received into the pipeline system will be used to calculate transportation charges.

4) SETTLEMENT CHARGES

Settlement charges, billed at month-end, are the result of transit variations (the variance between physical and book inventories of product) multiplied by an appropriate settlement price. Positive transit variations (over deliveries) result in charges to Shippers, and negative transit variations (under deliveries) result in credits to Shippers.

The Settlement Charges (or Credits) are calculated as follows:

	Physical Inventory at Beginning of month
	+ Barrels Received into system
	- <u>Barrels Delivered out of system</u>
	= Book Ending Inventory
	Physical Inventory at End of month
+	Product Loss Allowance *(See Note)
-	<u>Book Ending Inventory</u>
	= Barrels "Over" and "Short" (i.e., Transit Variation)
	<u>x Settlement Price</u>
	= Settlement Charge (or Credit)

(*Note: The product loss allowance applies only to a limited number of movements on Wood River Pipe Lines, LLC as shown in the applicable tariffs)

A "Summary of Settlement Charges," showing sub-totals by Product Grade, is followed by the details of the Settlement Charges. The details of the charges are separated by product grade. Information shown for each product grade includes beginning inventory, receipts, deliveries, book ending inventory, physical ending inventory, transit variation, settlement price and settlement charge.

(See Pages 6 through 12 of Example 5-A)

Settlement Prices - Buckeye Pipe Line Company, L.P., Buckeye Pipe Line Transportation LLC, Laurel Pipe Line Company, L.P., Everglades Pipe Line Company, L.P., Norco Pipe Line Company, LLC, and Wood River Pipe Lines, LLC, utilize a price basis and a fixed place differential for pricing overages and shortages of petroleum products.

(See Pages 13 and 14 of Example 5-A)

- A) Price Basis (except LPG) – Settlement price basis is “Platt’s Oilgram Price Report” quotation under the heading Product Price Assessments - U. S. Gulf Coast (Pipeline). More specifically, the monthly settlement price basis is an arithmetic average of the price each day there is a posting within a given month for the applicable product.

Sub-Octane and Regular Unleaded Gasoline shall be priced on the basis of the low quotation reported for CBOB 87.

Premium Unleaded Gasoline, all Reformates, and MTBE shall be priced on the basis of the low quotation reported for CBOB 87.

All Reformulated Gasoline (RFG) and Reformulated Gasoline for Oxygenate Blending (RBOB) shall be priced on the same basis as the comparable conventional gasoline grade as shown above.

All Diesel Fuel, Premium Diesel Fuel and No. 2 Fuel Oil shall be priced on the basis of the low quotation for No. 2 Fuel Oil (No. 2).

ULSD Loss Allocation. In the normal course of protecting the level of sulfur during transportation of ULSD, there will be a larger portion of downgrade/re-grade that takes place above the levels typically experienced with LSD. This loss will be allocated to all ULSD shippers as a proration of their portion of the total loss expected in the batch. The amount of loss will vary upon pipeline system and corridors and Buckeye Partners will strive to minimize these losses to the extent possible. The losses will be settled in accordance with our established Settlement Charges practices.

Alkylate and Toluene shall be classified as CBOB 93 for purposes of this policy.

Aviation/1-K Kerosene, Aviation Gasoline, Aviation Kerosene, Military Jet Fuels (JP-4, JP-8) and all Turbine Fuels shall be priced on the basis of the low quotation for Jet/Kero 54.

No. 1 Fuel Oil and Kerosene shall be priced on the basis of the low quotation for No. 2 Fuel Oil (No. 2).

Gas Oil, Straight Run Kerosene, Light Gas Oil and Light Cycle Oil shall be classified as No. 2 Fuel Oil for purposes of this policy (No. 2).

Naphtha and Light Straight Run Gasoline shall be priced on the basis of the low quotation reported for Naphtha (Waterborne).

Transmix Received, Nominated or Scheduled (Grade 077) shall be priced as the weighted average of CBOB 87 and No. 2 Fuel Oil based on the typical composition of transmix less a discount to adjust the value for processing and transportation (35% CBOB 87 + 65% No. 2 - \$5.796/bbl).

Transmix Delivered (Grade 075) shall be priced as the weighted average of CBOB 87 and No. 2 Fuel Oil based on the typical composition of transmix (35% CBOB 87 + 65% No. 2).

Transmix Delivered (Grade 073) shall be priced as the weighted average of CBOB 87 and ULSD based on the typical composition of transmix (35% CBOB 87 + 65% ULSD).

Off Spec Gasoline will be priced on a case by case basis.

- B) Price Basis LPG - Buckeye's settlement price basis is "Platt's Oilgram Price Report" quotation under the heading Product Price Assessments - Gas Liquids (Mont Belvieu). More specifically, the monthly settlement price basis is an arithmetic average of the price each day there is a posting within a given month for the applicable product.

Propane shall be priced on the basis of the low quotation reported for Propane.

Normal Butane shall be priced on the basis of the low quotation reported for Normal Butane.

Iso-Butane shall be priced on the basis of the low quotation reported for Iso-Butane.

Raffinate and Natural Gasoline shall be classified as Natural Gasoline and priced on the basis of the low quotation reported for Natural-Non-Targa.

Other Liquefied Petroleum Gases shall be priced on the basis of the Propane price as determined above plus \$0.63 per barrel.

All Buffer Material shall be priced according to the individual products, which comprise the buffer material, as determined under the paragraphs above.

- C) Place Differentials: A place differential of \$1.00 per barrel shall be added to the price of all products as determined above. The resulting sum shall represent the settlement price for determining the value of overages and shortages between Buckeye Pipe Line Company, L.P., Buckeye Pipe Line Transportation LLC, Laurel Pipe Line Company, L.P., Norco Pipe Line Company, LLC, Wood River Pipe Lines, LLC, and Everglades Pipe Line Company, L.P. and the Shipper when the Shipper tenders product via the corresponding common carrier pipeline system.

5) **PRODUCT LOSS ALLOCATION ASSESSMENT**

A product loss allocation assessment shall be added to the monthly settlement bill for long-haul transportation movements where there is not a separate product loss allowance volume deduction. The product loss allocation assessment is to recover normal losses resulting from evaporation, downgrading of product and handling of transmix inherent in the operation of the pipeline. This assessment is made in accordance with the "Gauging, Metering, Testing and Deductions" provision of the applicable Rules and Regulations tariffs, and is calculated by determining the total cost of product downgrades and volume variations divided by the associated total volume throughput for the same period. The resulting cents per barrel assessment will be applied to each shipper's total actual monthly delivered volumes not otherwise

subject to a product loss allowance. This assessment will be adjusted on a periodic basis to reflect actual experience. The current product loss allowance assessments per delivered barrel, with effective dates, are as follows:

<u>Company</u>	<u>Assessment (cents/Barrel)</u>	<u>Effective Date</u>
Buckeye Pipe Line Company, L.P. (SCD'S: E, I, M, J)	8.2	December 1, 2016
Buckeye Pipe Line Transportation, LLC (Paulsboro System – SCD: P)	8.2	January 1, 2017
Norco Pipe Line Company, LLC (SCD: N)	5.4	November 1, 2015
Laurel Pipe Line Company, L.P. (SCD: L)	10.9	November 1, 2015
Wood River Pipe Lines LLC (SCD: W) excludes crude oil	4.3	November 1, 2015

There are no product loss allocation assessments currently in effect for the following pipeline systems: Everglades Pipe Line Company, L.P. (SCD: G); Buckeye Linden Pipe Line Company LLC (SCD: D); and Wood River Pipe Lines LLC (SCD: W - Crude Oil only).

There are variable product loss allocation assessments currently in effect for the following pipeline systems: Buckeye Pipe Line Transportation, LLC, Maine system (SCD: R), Northern Ohio system (SCD: H), and Lower V system (SCD: V).

6) **FILTRATION CHARGES**

Filtration charges, billed at month-end, only apply to movements of turbine fuel to the Metropolitan New York City Area Airports that fail to meet the quality standards as called for in the tariffs. (For further information, please see Section 6.6.)

(See Page 15 of Example 5-A)

7) **RED DYE INJECTION CHARGES**

Buckeye fungible grades 160, 161 and 162 Fuel Oil specifications require a minimum dye content of 13.0 ppm at origin. It is Buckeye's practice to receive fully dyed Fuel Oil into fungible pipeline systems. However, due to supply changes on the Buckeye Pipe Line Transportation LLC (Paulsboro System – PPS), Fuel Oil may be received into the pipeline un-dyed at the Paulsboro, NJ receipt location starting November 1st 2010. Buckeye will provide services to dye the Fuel Oil to a minimum IRS dye concentration prior to delivery.

An additive injection fee will be applied on a volumetric basis to all Fuel Oil batches that are received with dye levels below the minimum requirement at Paulsboro. The service fee for dye injection will be as follows:

- Batch size greater than or equal to 25,000 bbls: \$0.172/barrel
- Batch size less than 25,000 bbls: \$0.266/barrel

8) OTHER CHARGES

Other miscellaneous charges may also be referenced on the invoice and in the billing package. These charges might include pumping fees, segregated batch fees, or other special charges.

5.3 BILLING SCHEDULE

There are four billing periods per month comprising three interim billing periods and one final billing period. Interim billing periods end on Sundays at midnight. If the first Sunday falls on the fifth, sixth or seventh of the month, the first interim billing period will run through those days. If the first Sunday falls on the first, second, third or fourth of the month, such day(s) are included in the next interim billing period. Days remaining in the month after the third interim billing are invoiced as of month-end. Exceptions occur when the first Sunday of the month is on the fifth of the month and such month includes a holiday preceding that Sunday. In these cases, the first five days are included in the next billing period. See billing cut-off date schedules for this year and next year at the end of this section.

5.4 BILLING INQUIRIES

All billing inquiries may be directed in writing to Buckeye Pipe Line Company, One Greenway Plaza, Suite 600, Houston, TX 77046, Attention: Settlements Department or by telephone or email to the Settlements Department contact listed on the invoice.