

Wolverine Pipe Line Company

INTERFACE PROCESS

Interface is created during shipment on the pipeline between batches of two different products. Pressure is kept on the pipeline to minimize the mixture of these two products together; however there will always be some mixture. There are two kinds of interfaces that the operator encounters, interfaces between the same commodity group and interfaces between different commodity groups.

Same Commodity Group (Gas vs Gas and Oil vs Oil)

The interface between two different products is delivered into the commodity that has the lowest quality. Disposition of the interface is decided on a case by case basis dependent upon the two products. In Gasoline, Premium is the highest quality and Regular is the lowest.

If the interface can be placed into one of the two products without degrading the integrity of the batch, it is cut into that product (i.e. when 87 Octane Unlead and 92 Octane Unlead are pumped back to back, the interface between them is cut into the 87 Octane Unlead. The interface has an octane between the 87 and 92, so if it were cut into either product, it would improve the 87 and lower the 92). This process also holds true with distillates. The quality ranking from highest to lowest is Ultra Low Sulfur Diesel, Jet, and Low Sulfur Diesel.

Different Commodity Group (Oil vs Gas)

There are also interfaces between products that are called Slop or transmix. These are interfaces between gasolines and distillates. Since distillates can be contaminated by relatively low volumes of gasolines, substantially no gasoline/distillate interface can be delivered to distillate tankage.

There are quality control standards on which distillates can be cut into gasoline without decreasing the octane and other quality standards. These standards allow only a very small amount of interface to be cut into gasoline. Therefore, these interfaces are segregated into a separate tank (Slop Tank) with emphasis on protection of distillates.

Because of these guidelines, lower quality products can receive some interface material and the higher quality products are protected. The higher quality products (i.e. JET, ULSD and 93 OCTANE) are ticketed shorter on the delivery volume than what was received. Therefore, the lower quality products (i.e. 87 OCTANE) are ticketed with more on delivery volumes than what was received.

Interface Allocations

Allocations for slop batches are handled within IPATSS. There is a systems table that governs which shippers should be included or excluded in slop allocations. Allocations are made to ALL active distillate shippers.

COMMONLY ASKED QUESTIONS:

WHAT IS TRANSMIX AND WHAT DO I DO WITH IT?

(transmix also known as slop)

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(2) The interface of commingled products occurring in the pipeline between Petroleum Products having dissimilar basic physical characteristics, which commingled products cannot be readily absorbed into the shipments immediately preceding and following the interface (non-compatible interface), shall be retained in the pipeline and transported to the destination. The non-compatible interface material resulting from each distillate cycle will be prorated equally among the Shippers in that distillate cycle and, subject to Paragraph (3) below, it shall be the Shipper's responsibility to remove such material from the Carriers facilities.

(3) At destinations where no interface tanks are provided by the Carrier, the interface material will be delivered into facilities to be provided by the Shipper, such deliveries to be in proportion to their respective shipments as nearly as operating conditions will permit.

At Niles Meter Station, all transmix is delivered to Buckeye and custody transferred to Gladiux Refinery Inc. Wolverine immediately provides a transmix delivery and transmix receipt ticket at Niles Meter Station for each shipper.

At White Oak Transmix location, all transmix is allocated to ExxonMobil. ExxonMobil is responsible for timely removal of transmix from Wolverine's White Oak Transmix tank to ensure appropriate space is available for future transmix storage requirements.

At Detroit Woodhaven Station, transmix is delivered to Buckeye and given to Gladiux. Wolverine will provide a transmix receipt ticket at Woodhaven for each shipper. A transmix delivery ticket will be provided when the transmix is delivered to Buckeye and custody given to Gladiux Refinery Inc.

Transmix generated from batches destined to locations past Niles on Wolverine's Mainline, will be delivered to Wolverine tankage at Stockbridge where Wolverine will immediately provide a transmix storage and transmix delivery ticket at Stockbridge for each shipper. Wolverine will perform a tank adjustment at month end to account for each shipper's equity in the transmix tank. From Stockbridge, each shipper's transmix will be ticketed as a receipt of Commodity 10 Special Transmix to be delivered to Marathon tankage at Bay City and custody transferred to Gladiux Refinery Inc.

Wolverine bills shippers for transmix receipts at each location. It is the shippers responsibility to settle with 3rd parties (i.e. Gladiux) when a third party is utilized to pick up the transmix.

Transmix is billed on the monthly over and short statement. Each shipper is billed for the barrels of transmix received during the month and credited for any loss of barrels during the month. (Please see the over and short section for more detail)

OVER AND SHORT

WHAT IS THE OVER AND SHORT BILLING AND HOW DO YOU CALCULATE COST PER BARREL?

Overages and shortages (O/S) are identified as product over/under deliveries in the pipeline at a given period of time (month-end)

O/S Calculation

In IPATSS, overages and shortages are calculated daily for complete batches that moved through WPL. O/S is calculated based on the following criteria:

- There cannot be any ACTIVE batches – these are batches that are scheduled but still in the line
- All batches must be COMPLETED – these are batches where tickets have been created with a status of complete
- Batches must not already have calculated an O/S

An overage results if a shipper's O/S barrels are greater than zero and a shortage results if a shippers O/S barrels are less than zero.

Billing process

All product O/S amounts are billed to each customer on a monthly basis. The O/S barrels are summarized by commodity and multiplied by the product price assessment from Platt's Oilgram Price Report. The price per gallon is converted to price per barrel and multiplied by the net O/S barrels. Blend stock cost is of the same as Regular Unleaded or Premium Unleaded, depending on the Blend classification.

An over and short invoice is generated for each shipper based on all commodities moved through WPL during the month. The O/S invoices are netted with the transportation invoice and the customer submits payment. In the instance where there are credit balances (shortages), WPL submits payment on a quarterly basis via check.

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(c) Any settlement adjustments for overages and shortages borne by Carrier which are directly associated with handling petroleum products will be billed or credited to each Shipper in proportion to their respective shipments. Such settlement will be performed in the month subsequent to the month in which the overages and shortages occur.