

PEMBINA COCHIN RETENTION STOCK POLICY

(Effective August 1, 2024)

1. PURPOSE

- (a) Pembina Cochin LLC and PKM Cochin ULC (together "**Carrier**") hereby issue this Retention Stock Policy in order to outline the process used to allocate the Retention Stock equitably amongst the Shippers, and the process used to calculate the Retention Stock Surcharge.
- (b) This Retention Stock Policy is specifically designed for the Cochin Pipeline where Light Condensate is the only product being shipped in the pipeline in a continuous flow process from the Cochin Terminal in Kankakee County, Illinois, United States ("**Kankakee**") or intermediate receipt points to Fort Saskatchewan, Alberta, Canada ("**Fort Saskatchewan**"). This Policy may be revised or terminated by Carrier at which time Carrier will file a new or revised Policy with the Federal Energy Regulatory Commission.
- (c) The purpose of this program is to address Shipper requests that:
 - (i) There are no monthly fluctuations in each Shipper's Retention Stock requirement (which has an impact on customs reporting); and
 - (ii) All Shippers moving Light Condensate share in the Retention Stock costs proportionate to each Shipper's movements as calculated in this Retention Stock Policy.

2. OPERATIONAL OVERVIEW

- (a) The Retention Stock requirement of the Cochin Pipeline system is estimated to be at least 1,323,084 barrels of Light Condensate for volumes originating from Kankakee, IL for movement to Fort Saskatchewan, Alberta, Canada. Separately the Retention Stock requirement is estimated to be 506,969 barrels of Light Condensate for volumes originating from Maxbass, North Dakota for movement to Fort Saskatchewan, Alberta, Canada and 1,059,106 barrels of Light Condensate for volumes originating from Clinton, Iowa for movement to Fort Saskatchewan, Alberta, Canada. The provision of Retention Stock will provide assurance to the Shippers that properly nominated Light Condensate received into the Cochin Pipeline system at Kankakee and/or other receipt points will be delivered expeditiously to Fort Saskatchewan.
- (b) Committed Shippers are defined for the purposes of this Policy as any Shipper that has executed an agreement with Carrier during an open season and committed to transport a minimum volume of Light Condensate on the Cochin Pipeline, or nonetheless pay for the transportation of such volumes ("Agreement"), the term of

which, as defined in the Agreement, is in effect. Uncommitted Shippers are defined for the purposes of this Policy as any Shipper that is not a Committed Shipper.

- (c) Committed Shippers must provide physical Retention Stock. Uncommitted Shippers will fulfill their Retention Stock requirement through the payment of the applicable Retention Stock Surcharge.
- (d) The Surcharge Year shall extend from July 1st of the current calendar year through June 30th of the following calendar year, and Carrier shall collect and distribute all applicable Retention Stock Surcharge fees during each such Surcharge Year. Carrier shall identify the Retention Stock Surcharge, as modified from time to time, in its rate tariffs on file with the Federal Energy Regulatory Commission.

3. RETENTION STOCK ALLOCATION

- (a) Each Committed Shipper's Retention Stock allocation shall be calculated based on the proportion of each Committed Shipper's committed volume in its Agreement to the total capacity on Carrier's pipeline, and each Committed Shipper shall physically tender its Retention Stock allocation to Carrier upon commencement of the initial term of the Committed Shipper's Agreement.
- (b) To the extent necessary, Carrier will supply physical Retention Stock equal to the shortfall difference (if any) between Carrier's total Retention Stock requirement and the total of the Committed Shippers' Retention Stock allocations.
- (c) Each Uncommitted Shipper will pay the applicable Retention Stock Surcharge in effect at the time Uncommitted Shipper's volumes are received for transportation by Carrier. Committed Shippers will pay the applicable Retention Stock Surcharge for any volume they ship that is in excess of their Minimum Annual Volume.
- (d) The Retention Stock Surcharge will be made available on or before May 31st of each calendar year.
- (e) Upon thirty (30) days' prior written notice, Carrier may, due to operational changes, revise the Retention Stock requirement and notify Committed Shippers of the corresponding change in their Retention Stock allocation.

(f) Retention Stock Allocation Example:

Shipper Name	Origin Point	Location Factor (fraction of total stock based on location)	Committed Volumes (kbpd)	% of Retention Stock	Retention Stock (bbl)
Committed A	Kankakee	1.00	5	4.55%	60,200
Committed B	Kankakee	1.00	20	18.18%	240,537
Committed C	Kankakee	1.00	10	9.09%	120,268
Committed Total			35	31.82%	421,005
Remaining Capacity Assigned to Carrier			75	68.18%	902,079
Total			110	100%	1,323,084

4. RETENTION STOCK SURCHARGE

(a) The Retention Stock Surcharge shall be calculated as follows:

- (i) Divide the total volume of required Retention Stock (expressed in barrels) from the pertinent receipts point, as then identified, by 6.289811 barrels per cubic meter;
- (ii) Multiply by the Condensate Allowance Price (expressed in Canadian dollars per cubic meter) for the average of January, February, and March of the current calendar year, as published by the Equalization Steering Committee which can be found at the following web address: <https://www.industryeq.ca/eq-data> and following the Current Year Equalization Data link.
- (iii) Divide by the Monthly Exchange Rate for the average of January, February, and March of the current calendar year as published by the Bank of Canada (expressed as 1 USD -> CAD); <http://www.bankofcanada.ca/rates/exchange/monthly-exchange-rates/>
- (iv) Multiply by the average prime rate for the months of January, February, and March of the current calendar year, as published in the Wall Street

Journal, plus seven percent;

<https://www.marketwatch.com/investing/interestrate/wsprime/charts?countrycode=mr>

- (v) Divide by the product of the Maximum Pipeline Capacity (expressed in barrels per day) for the path from the specified receipt points and the number of days in the upcoming Surcharge Year.

$$\frac{\text{Retention Stock bbls} \times \text{Condensate Allowance Price CAD/m}^3 \times (\text{WSJ Prime} + 7\%)}{6.289811 \text{ bbls/m}^3 \times \text{Monthly Exchange Rate CAD/USD}}$$

$$\text{Maximum Pipeline Capacity (bbls/day)} \times \text{Days in the Surcharge Year}$$

- (b) The Retention Stock Surcharge will be applied to all volumes received for any Uncommitted Shipper, and any Uncommitted Volumes (defined as volumes shipped in excess of each Committed Shippers Minimum Annual Volume as set forth in such Committed Shipper's Agreement).
- (c) Carrier will distribute (proportionate to each Committed Shipper's Retention Stock contribution to the total Cochin Pipeline Retention Stock requirement) on or before the 25th of each month the Retention Stock Surcharge collected during the prior month to Committed Shippers that provided their Retention Stock requirement for the Surcharge Year in which the surcharges were collected.

For example:

- On July 25, 2018, Retention Stock Surcharges collected in June 2018 will be distributed to Committed Shippers who physically provided Retention Stock during June 2018.
- If \$1,000 was collected in June 2018 and Shippers A, B, C, and D each provided 10% of the Retention Stock in June 2018, by July 25, 2018 Shippers A, B, C, and D would each receive a distribution of \$100 and Carrier would receive a distribution of \$600.

**Retention Stock Surcharge Calculation
(Kankakee, IL to Ft. Saskatchewan, AB) (Effective August 1, 2024)**

Retention Stock Volume	1,323,084 bbls
Condensate Allowance Price	\$619.93_Cdn/m ³
Monthly Exchange Rate	1.3488
WSJ Prime	8.50%
Maximum Pipeline Capacity	110,000 bbls/day
Days in the Surcharge Year	365
Retention Stock Surcharge (USD)	\$0.4322/bbl

**Retention Stock Surcharge Calculation
(Maxbass, ND to Ft. Saskatchewan, AB) (Effective August 1, 2024)**

Retention Stock Volume	506,969 bbls
Condensate Allowance Price	\$619.93_Cdn/m ³
Monthly Exchange Rate	1.3488
WSJ Prime	8.50%
Maximum Pipeline Capacity	110,000 bbls/day
Days in the Surcharge Year	365
Retention Stock Surcharge (USD)	\$0.1542/bbl

**Retention Stock Surcharge Calculation
(Clinton, IA to Ft. Saskatchewan, AB) (Effective August 1, 2024)**

Retention Stock Volume	1,059,106 bbls
Condensate Allowance Price	\$619.93_Cdn/m ³
Monthly Exchange Rate	1.3488
WSJ Prime	8.50%
Maximum Pipeline Capacity	110,000 bbls/day
Days in the Surcharge Year	365
Retention Stock Surcharge (USD)	\$0.3459/bbl