

TRANS MOUNTAIN PIPELINE ULC

Inventory Settlement Procedure

Issued: April 15, 2025

Effective: July 1, 2025

Issued By:
Shipper Services
Trans Mountain Pipeline ULC.
Suite 2700, 300 – 5th Avenue SW
Calgary, Alberta T2P 5J2
<https://www.transmountain.com/>

Trans Mountain Pipeline ULC Inventory Settlement Procedure

1. INTRODUCTION

Inventory gains and losses between commodities are a normal part of transporting unlike materials in a batched pipeline. These gains and losses can be attributed to interfacial batch cuts, shared tank movements and the normal intermixing of commodities as they transit the pipeline system. Due to differences in quality between commodities, inventory gains or losses cannot be settled through the reallocation of Physical Inventory. To maintain a proportional balance of Physical Inventory relative to Book Inventory, Carrier requires Shippers to settle such gains and/or losses through financial transactions.

All Shippers of Crude Petroleum and Refined Petroleum are required to participate in this process. Carrier's goal is to minimize physical gains or losses between commodities and ensure that financial transactions utilize transparent pricing. This document describes the Inventory Settlement Procedure as applicable to Trans Mountain Pipeline ULC as general partner of Trans Mountain Pipeline LP ("Trans Mountain"), Shippers on the Trans Mountain Pipeline and Trans Mountain Pipeline (Puget Sound).

Capitalized terms that are not defined in this procedure are as defined in Trans Mountain Pipeline ULC's Petroleum Tariff: Rules and Regulations.¹

2. DEFINITIONS

Book Inventory: The sum of opening inventory, Inventory Settlement Adjustments, receipt volumes and volumes transferred in and out less Delivered volumes and Petroleum Loss Allowance, for a given Month.

In-transit Line Fill: Remaining Physical Inventory after removing Static Line Fill. These are volumes that have been received at the Receipt Point but have yet to deliver at the Delivery Point.

Inventory Settlement Adjustment: Settlement Volume as it appears on the Shipper Balance Statement.

¹ The Trans Mountain Pipeline ULC Tariffs: Tolls Applying on Petroleum and Rules and Regulations Governing the Transportation of Petroleum are on file with the Canada Energy Regulator and can be located on the Carrier's website at <https://www.transmountain.com/tolls-tariffs>.



Petroleum Loss Allowance: A fraction (expressed as a percentage) of Delivered volume withheld by Carrier to cover the cost of losses inherent in the transportation and settlement of Crude Petroleum inventory.

Net Settlement Value: Net Settlement Value is the value of the financial transaction required to balance Book Inventory to Physical Inventory and is the product of the Settlement Price times Settlement Volume.

Physical Inventory: Physical volumes within the Mainline System that are assigned to a Shipper, normally comprising of In-transit Line Fill and Static Line Fill.

Settlement Price: The price assigned to each pooled or non-pooled commodity as further detailed in Schedule B. Price quotes may take the form of an average index price such as CalRock (Crude Petroleum), OPIS (Refined Petroleum) or another form of pricing agreeable to Carrier. Schedule B will be updated as new commodities are approved from time to time. In the event CalRock and/or OPIS are no longer (i) available, (ii) in existence, or (iii) provide adequate pricing information on the commodities listed in Schedule B, Carrier will discuss with Shippers an appropriate replacement.

Settlement Volume: The difference between each Shipper's Book Inventory and Physical Inventory.

Shipper Balance Statement: A summarized Monthly statement provided to each Shipper that shows Book Inventory, Physical Inventory, Settlement Volume, Settlement Price and Net Settlement Value.

Static Line Fill: Typically pertains to volume associated with tank bottoms, tank lines and station piping that are necessary to operate the pipeline and thus unavailable for day to day commercial transactions. Static Line Fill will be assigned pursuant to the TMEP Line Fill Procedure found in the Trans Mountain Pipeline Service Standards, available on the Carrier's website.

3. INVENTORY SETTLEMENT PROCEDURE

Step 1: Determination of Book Inventory

At the close of each Month, Carrier determines the Book Inventory for each commodity and each Shipper.

Step 2: Determination of Physical Inventory

At the close of each Month, Carrier determines the Physical Inventory of each commodity by Shipper.

Step 3: Determination of Settlement Volume

At the close of each Month, Carrier determines the Settlement Volume for each commodity by Shipper.

Step 4: Determination of Monthly Settlement Price

Carrier will apply the average monthly CalRock pricing for each Crude Petroleum commodity identified in Schedule B or the OPIS pricing for each Refined Petroleum commodity identified in Schedule B. If necessary, these prices are converted into Canadian per m³ using the conversion factors listed in Schedule B.

Step 5: Determination of Net Settlement Value

At the close of each Month, Carrier determines the Net Settlement Value for each commodity by Shipper. The Net Settlement Value is shown on the Shipper Balance Statement and invoiced as either a debit (charge) or credit (refund) and is payable under terms set out in Carrier's Petroleum Tariff: Rules and Regulations.

This financial transaction allows the Settlement Volume to be recorded on the next Shipper Balance Statement as an Inventory Settlement Adjustment, thus ensuring Book to Physical Inventory balancing for all commodities and Shippers on the System. Carrier's Petroleum loss allowance percentages in effect are provided in the Toll Schedule.

An example of the Inventory Settlement Procedure is shown in Schedule A.



Schedule A: Example of Inventory Settlement Procedure and Illustrative Shipper Balance Statement

A simplified example of a Shipper Balance statement is shown below. The example below uses Crude Petroleum but is also applicable to Refined Petroleum. Crude Petroleum and Refined Petroleum may have different Pipeline loss allowance percentages as published in the Toll Schedule.

The first half of the statement (Section B) shows the calculations used to determine Book Inventory.

The second half of the statement (Section C and D) shows the calculations used to determine Settlement Volume and Net Settlement Value.

In Month 1 the Shipper's Physical Inventory is greater than its Book Inventory, resulting in a Settlement Volume of 193.7 m³. A financial transaction is required to balance this Book to Physical Inventory discrepancy. The Pacific Cold Lake Petroleum ("PCL") average price is determined to be \$300/m³. The Net Settlement Value is therefore \$58,110 which is payable to Carrier.

The Settlement Volume (193.7 m³) is recorded on Month 2 of Shipper's Balance Statement as an Inventory Settlement Adjustment.

In Month 2 the Shippers Physical Inventory is less than its Book Inventory, resulting in a Settlement Volume of 109.5 m³. A financial transaction is required to balance this Book to Physical Inventory discrepancy. The PCL average price is determined to be \$320/m³. The Net Settlement Value is therefore \$35,040, payable to Shipper.

Shipper Balance Statement

(units as noted below)

A. Shipper:

Westridge Marine Terminal Shipper

Period		Month 1		Month 2	
B. Book Inventory (m3)	Notes	Commodity	Volume	Commodity	Volume
Opening Inventory		PCL	99,800.0	PCL	96,606.3
Inventory Settlement Adjustment		PCL	0.0	PCL	193.7
Subtotal Opening Inventory	1	PCL	99,800.0	PCL	96,800.0
Receipts (+):	2	PCL	80,600.0	PCL	73,600.0
Transfers In (+):	3	PCL	10,000.0	PCL	30,000.0
Transfers Out (-):	4	PCL		PCL	10,000.0
Deliveries (-):	5	PCL	93,700.0	PCL	90,500.0
Petroleum Loss Allowance (-):	6	PCL	93.7	PCL	90.5
Book Inventory Total:		PCL	96,606.3	PCL	99,809.5
C. Physical Inventory (m3)					
Static Line Fill		PCL	6,200.0	PCL	6,200.0
In-transit Line Fill		PCL	90,600.0	PCL	93,500.0
Physical Inventory Total:		PCL	96,800.0	PCL	99,700.0
Settlement Volume (m3)			193.7		(109.5)
<i>(Physical Inventory Total less Book Inventory Total)</i>					
D. Net Settlement Value					
Price (\$CAD/m3) * Settlement Volume (m3)	7	\$300.00	\$58,110	\$320.00	(\$35,040)
<i>(Price as set out in Schedule B)</i>					

Notes:

- [1] Opening Inventory is the Book Inventory total for the prior month adjusted for the prior month Settlement Volume
- [2] Monthly volumes received from feeder pipeline or terminals
- [3] Transfer (purchase) from another Shipper
- [4] Transfer (sale) to another Shipper
- [5] Monthly Deliveries per custody transfer tickets and invoiced to Shipper
- [6] Petroleum Loss Allowance equals Deliveries * 0.1% (or as set per the Toll Schedule)*
- [7] Net Settlement Value equals commodity Settlement Price * Settlement Volume in Section C above

*Petroleum loss allowance percentage may vary between Crude Petroleum and Refined Petroleum as set out in the Toll Schedule available on Carrier's website and as filed with the Canadian Energy Regulatory.

Schedule B: List of Commodity Prices
Crude Petroleum:

Pooled Code*	Description	Grade	Index Indicator (CalRock)
MSR	Mixed Sour Crudes	L	Average of CAL 1a & PSO 1a
MSW	Mixed Sweet Crudes	L	SW 1a
PCL	Pacific Cold Lake	H	CLK-EDM/WCS
PB	Pacific Blend	H	AWB/WCS Spr
PKB	Pacific Kearl Blend	H	AWB/WCS Spr
PLT	Pacific Low TAN	H	CLK-EDM/WCS
SYB	Synbit	H	CLK-EDM/WCS
SYN	Light Synthetic Crudes	L	SYN 1a
N/A	Non-Pooled Condensates	L	C5 1a
N/A	Non-Pooled Light Crudes	L	SW 1a
N/A	Non-Pooled Heavy Crudes	H	AWB/WCS Spr

*Includes all commodities listed in such Pool as shown on the Approved Commodities List

Refined Petroleum:

Product Code	Description	Grade	Edmonton Monthly Average OPIS Rack Price*
G85	Regular Gasoline	L	Monthly Average Rack Price <ul style="list-style-type: none"> • EDMONTON ALBERTA Esso Cana Unbranded Ethanol 10% unleaded • EDMONTON ALBERTA Suncor Unbranded Ethanol 10% unleaded
G91	Premium Gasoline	L	Monthly Average Rack Price <ul style="list-style-type: none"> • EDMONTON ALBERTA Esso Cana Unbranded Ethanol 10% premium • EDMONTON ALBERTA Suncor Unbranded premium
DSL	Diesel	L	Monthly Average Rack Price <ul style="list-style-type: none"> • EDMONTON ALBERTA Esso Cana Unbranded Ultra-Low Sul Dsl • EDMONTON ALBERTA Suncor Unbranded Ultra-Low Sul Dsl

*- Simple average of the below noted rack prices in each product category.



Legend:

L = Light Crude Petroleum

H = Heavy Crude Petroleum

Conversion Factors:

USD to CAD from Bank of Canada Monthly Exchange Rate

(<https://www.bankofcanada.ca/rates/exchange/monthly-exchange-rates/>)

BBL to M3 per Trans Mountain Rules and Regulations = 6.2898108

For Trans Mountain Approved Commodity List, in effect at the time, please refer to the following website: <https://www.transmountain.com/tolls-tariffs>