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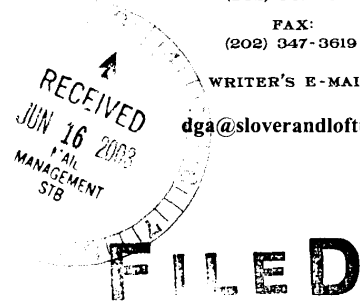
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DID 010295003

June 16, 2003

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001



JUN 16 2003

TRANSPORTATION BOARD

Re: STB Docket No. 42081, Dyno Nobel Inc. v. Kaneb Pipe Line Partners, L.P.

Dear Secretary Williams:

Enclosed for filing in the captioned proceeding please find an original and ten copies of the Verified Complaint of Dyno Nobel Inc. against Kaneb Pipe Line Partners, L.P.

Enclosed is a check in the amount of \$6,000.00 made out to the Board to cover the required filing fees for the processing of formal complaints against pipelines.

Please date stamp the extra copy of this cover letter and the filing and return them to our messenger.

Respectfully submitted,

ENTERED
Office of Proceedings

JUN 16 2003

Part of
Public Record

Donald G. Avery
An Attorney for Dyno Nobel Inc.

Enclosures

cc: Kaneb Pipe Line Partners, L.P.

FEE RECEIVED

JUN 16 2003

**SURFACE
TRANSPORTATION BOARD**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

RECEIVED
JUN 16 2003
MANAGEMENT
STB

DYNO NOBEL INC.,	)	
	)	
Complainant	)	
	)	
v.	)	Docket No. 42081
	)	
KANEB PIPE LINE PARTNERS, L.P.	)	
	)	
Defendant	)	
	)	

VERIFIED COMPLAINT

DYNO NOBEL INC. ("DNI") hereby complains against KANEB PIPE LINE PARTNERS, L.P. ("KPP") under 49 U.S.C. § 15504 as follows:

Introduction

1. This complaint challenges as unlawful the 68% rate increase imposed by KPP on or about April 1, 2003, with respect to DNI's shipments of anhydrous ammonia ("AH") through KPP's pipeline.

2. As will be shown, said 68% increase violated 49 U.S.C. § 15501's prohibition against unreasonable pipeline rates and practices, (a) because it contravened KPP's agreement to maintain rate parity between DNI and shippers whose rates are covered by Board-imposed prescriptions, in violation of the Board's longstanding "Contract Rates Policy" ("CRP") applicable to transportation and rates subject to its

jurisdiction, and (b) because the increased rate exceeds a maximum reasonable level under the Board's "Constrained Market Pricing" ("CMP") policies. Additionally, DNI will show that the increased rate at issue subjects DNI to unreasonable discrimination, in violation of 49 U.S.C. § 15505.

3. Because DNI's claim under the CRP can be resolved without compiling the extensive and complex record required for application of CMP, DNI requests that the Board establish an expedited schedule for receipt and consideration of evidence and argument on its contract rate claim alone, and for the enforcement pendente lite of KPP's promise to maintain rate parity, pending compilation of a proper record for resolution of DNI's discrimination and CMP claims.

4. As relief under all three of its claims, DNI will seek prescription of maximum lawful rates for the future, together with reparations equal to the excess of any payments that DNI may be required to make to KPP for transportation of anhydrous ammonia ("AH") on or after April 1, 2003 that exceed the maximum lawful level thus determined.

Parties

5. DNI is a Delaware corporation with its principal place of business in Salt Lake City, Utah. DNI is engaged in the production, distribution, and sale of ammonium nitrate, and of explosives for industrial and mining applications manufactured from ammonium nitrate. DNI owns and operates an ammonium nitrate manufacturing plant at Louisiana, Missouri (the "LOMO facility"), where each year it consumes approximately 150,000 short tons of AH, a key ingredient of ammonium nitrate. The only financially viable means of transporting the requisite quantities of AH from the AH production areas

in Louisiana to DNI's LOMO facility is via KPP's pipeline. KPP therefore has market dominance over DNI's AH shipments.¹

6. KPP is a common carrier pipeline engaged in the transportation of AH between states, and as such KPP is subject to the jurisdiction of the Board under 49 U.S.C. § 15301(a). KPP is the successor to Koch Pipeline Company, L.P., as owner and operator of the AH pipeline at issue in Docket No. 41685, CF Industries, Inc. v. Koch Pipeline Company, L.P. (unprinted decision served May 9, 2000), review denied sub nom. CF Industries v. Surface Transportation Board et al., 255 F.3d 816 (D.C. Cir. 2001). KPP purchased that 1,943 mile AH pipeline from Koch in the fall of 2002, and as part of that purchase KPP assumed Koch's agreements related to the pipeline.

Facts Leading to the Instant Dispute

7. In 1996, Koch increased its common carrier rates for the transportation of AH to numerous destinations, including LOMO. Shortly thereafter, CF Industries Inc. ("CF") and Farmland Industries, Inc. ("Farmland") filed complaints before the Board challenging those rate increases insofar as they applied to CF's and Farmland's AH shipments. Among the destinations covered by the CF and Farmland complaints was El

¹LOMO is located near the Mississippi River, and prior to 1988 DNI received its supplies of AH at LOMO via water carrier. However, when KPP's predecessor, Gulf Central Pipeline Company, agreed to build a lateral line to serve LOMO, DNI disposed of its barge transloading facilities, as well as storage tanks that had been needed to maintain operations when barge deliveries were interrupted by ice or flooding, but were unnecessary given the 365-day service offered by the pipeline. (Gulf Central thereafter transferred the pipeline to Koch Pipeline Company, L.P. ("Koch"), which in turn sold it to KPP on November 1, 2002.)

The evidence will show that restoration of barge delivery capability would not be economically feasible today, and that if pipeline service were unavailable or priced out of the market the alternative for DNI would be to close the LOMO facility altogether.

Dorado, Arkansas, where El Dorado Chemical Company ("EDC") operates an ammonium nitrate production facility that competes directly with DNI's LOMO facility in the midwest market for distribution and sale of ammonium nitrate and of the explosive products that are manufactured from ammonium nitrate. Neither CF nor Farmland challenged Koch's rates to LOMO, however, as neither of them shipped AH to that destination.

8. On May 9, 2000, the Board issued its decision in Docket No. 41685, ordering Koch to roll back its 1996 rate increases in their entirety as they applied to most of the destinations at issue, including El Dorado.

9. When DNI learned that Koch had rolled back its rate increase on AH shipments to EDC, while continuing to charge the increased rate on DNI's shipments, DNI notified Koch that this disparate treatment would severely prejudice DNI's ability to compete with EDC in the midwest markets for ammonium nitrate and explosives, and that accordingly DNI was prepared to file a complaint with the Board challenging the increased rate on its AH traffic and requesting the same relief as CF and Farmland had received, including both a rate prescription at the pre-1996 level and reparations.

10. In response, Koch -- which was at that point seeking judicial review of the May 9, 2000 decision -- offered to roll back its rate increase to LOMO on a prospective basis in order to restore rate parity between DNI and its competitor, and to maintain that rate parity pending the outcome of Koch's court appeal and any ensuing proceedings, provided that DNI agreed to refrain from filing its complaint, and to pay the increased rate retroactively if and to the extent that EDC might be required to do so following a judicial reversal of the Board's decision. DNI's claim for reparations would then be held in abeyance pending the outcome of the appeal.

11. DNI accepted Koch's offer, and the resultant agreement was memorialized in a letter agreement and tariff provision, copies of which are attached in pertinent part as Exhibits A and B.

12. On July 27, 2001, the United States Court of Appeals for the DC Circuit affirmed the Board's May 9, 2000 decision in its entirety. As a result, the rate rollbacks ordered by the Board in that decision remained in effect, as did the rollbacks on DNI's AH shipments to LOMO required by Koch's parity-maintenance agreement with DNI.

13. On November 1, 2002, KPP purchased Koch's entire ammonia pipeline. As part of the purchase, KPP agreed to assume and be bound by Koch's contracts relating to the pipeline (see Section 2.04 of the KPP/Koch asset purchase agreement, Exhibit 10.2 to KPP's SEC Form 8-K announcing the transaction, attached as Exhibit C).

14. On or about March 10, 2003, KPP published and distributed to its customers, including DNI, tariff sheets purporting to impose substantial increases in virtually all of its common carrier rates, including those subject to the Board's maximum rate prescriptions in Docket No. 41685, and the rate to DNI's LOMO facility. The increase posted for EDC's AH shipments was less than 22%, and for two origins KPP actually proposed a rate decrease. By contrast, the increases posted for DNI's AH shipments ranged from 60% to 68%. A copy of that tariff publication is attached as Exhibit D.

15. Upon learning of KPP's planned rate increases, DNI notified KPP that in DNI's view KPP cannot lawfully increase its rates on movements that are subject to the Board's maximum rate prescription in Docket No. 41685, without first obtaining an order from the Board modifying or lifting the prescription, which it had not done; and that accordingly KPP's proposed increase in DNI's rate would violate Koch's agreement not to increase DNI's rate so long as it was precluded from increasing the prescribed rates. DNI

formally requested KPP to comply with that agreement, and to cancel its published rate increase on DNI's AH shipments. On April 24, 2003, KPP rejected DNI's request, and refused to cancel its published increases.

Count I -- Violation of Contract Rate Policy

16. Prior to enactment of the Staggers Act,² which vested jurisdiction to enforce railroad transportation contracts in the courts, the Board's predecessor, the Interstate Commerce Commission ("ICC"), had exclusive jurisdiction over all railroad rates on interstate traffic, including rates set pursuant to contracts. In exercising that jurisdiction it was the ICC's explicit policy to "enforce" rate agreements by establishing a strong presumption that the agreed rates constituted the maximum reasonable rates:

... [W]e will view the existence of such a contract as creating a presumption that a proposed rate change in excess of the contract rate is unreasonable in violation of the Interstate Commerce Act. ... [T]here may be unusual and compelling circumstances which would rebut this presumption and warrant our upholding a rate change in excess of a contract rate. For example, the Commission might determine that a contract rate should not be enforced if it failed to contribute to the going concern value of the carrier ... or is likely to imperil the carrier's ability to provide essential rail service to the public. ... [C]arriers and shippers should assume that the Commission will give recognition to contractual agreements concerning rates, in the absence of compelling circumstances indicating that enforcement of the agreed rate would be detrimental to the public interest.

²Staggers Rail Act of 1980, Pub. L. 96-448, 94 Stat. 1895 (October 14, 1980).

Ex Parte No. 358-F, Change of Policy, Railroad Contract Rates (unprinted decision served February 21, 1980), at 4-5. A copy of the ICC's February 21, 1980 decision is attached as Exhibit E.

17. In Docket No. 41685, the Board concluded that it was appropriate to apply its maximum rate standards applicable to the railroad industry, to the pipeline industry as well. The ICC's CRP was part of the fabric of those railroad maximum rate standards (though the ICC lost the jurisdiction to apply them in the rail context when the Staggers Act became law). Because the ICC and the Board have retained plenary jurisdiction over pipeline contract rates, the Ex Parte No. 358-F Contract Rates Policy should remain fully applicable to pipeline rate agreements.

18. The 68% increase that KPP posted for DNI's rate clearly violates the parties' rate parity agreement in two ways: first, no increase in DNI's rate is sanctioned by that agreement for so long as KPP's rate to El Dorado remains frozen by the Board's maximum rate prescription in Docket No. 41685;³ and second, even if (and when) the Board authorizes KPP to increase the El Dorado rate, DNI's rate will still violate the agreement insofar as it exceeds the increase allowed on the El Dorado rate.

³The rates prescribed by the Board in Docket No. 41685, including the \$6.63 rate on shipments of AH to El Dorado, Arkansas, remain the legal rates applicable to the movements at issue in that proceeding until changed by further Board order. 49 U.S.C. § 15503(a); Arizona Grocery Co. v. Atchison, T. & S.F. Ry., 284 U.S. 370, 387 (1932). The subsequent change in ownership of the pipeline could not, of course, nullify the Docket No. 41685 rate prescriptions; rather, KPP, by assuming ownership and control of the common carrier and responsibility for its operations, assumed as well the common carrier's legal obligations (see Finance Docket No. 32248, Hanson Natural Resources Company – Non-Common Carrier Status – Petition for a Declaratory Order (unprinted decision served December 5, 1994), at sheet 16, and cases there cited), including its obligation to comply with the Board's rate prescriptions. Accordingly, KPP's March 10 tariff was a legal nullity insofar as it purported to increase the El Dorado rate and the other rates that remain subject to the Docket No. 41685 prescriptions.

19. KPP's agreement to maintain parity between DNI's rate and the rate to El Dorado presumptively establishes the maximum reasonable rate to LOMO under the CRP, and there are no circumstances that could rebut that presumption or justify a failure to hold KPP to its bargain.

20. Accordingly, DNI requests that the Board prescribe, as a maximum reasonable rate on AH shipments to LOMO, (a) the rate in effect prior to April 1, 2003 (\$12.50 per ton) for such time as the \$6.63 rate prescribed for AH shipments to El Dorado remains in effect, and (b) if, when, and to the extent that the Board sanctions an increase in the El Dorado rate, the prescribed rate to LOMO should increase by no more than the percentage increase in the El Dorado rate.

Count II -- Unreasonable Discrimination

21. The 68% increase in the LOMO rate results in rates of \$19.99 to \$21.04, depending on origin. As a result, the ratios between the LOMO rates and the prescribed El Dorado rate -- which were approximately 1.9 to 1, from all origins, prior to April 1⁴ -- have swollen to more than 3 to 1. Such increased ratios significantly exceed the difference in mileages for the respective movements, thereby establishing a rate disparity for purposes of satisfying the first prong of the test for unreasonable discrimination under § 15505 and Harborlite Corp. v. ICC, 613 F.2d 1088 (DC Cir. 1979).

22. If and when KPP is allowed to implement its proposed rate increases on the El Dorado rate, that rate will increase to between \$7.30 and \$8.04, depending on origin. (Two origins will enjoy decreases to \$5.00 on shipments to El Dorado.) At that point the ratios between the new El Dorado rates and the new LOMO rates will range from a low

⁴The prescribed El Dorado rate is \$6.63; the LOMO rate, prior to April 1, was \$12.50.

of 2.68 to 1 (from Fortier, LA) to more than 4 to 1 (from Pollock, LA). Once again, these greatly enlarged rate differentials clearly constitute rate disparities for purposes of satisfying the first prong of the unreasonable discrimination standard under Harborlite. Furthermore, DNI expects the evidence to show that a substantial portion of KPP's costs are not mileage-related and therefore support a terminal cost adjustment, "tapering" KPP's rates and further reducing the proper ratio of DNI's LOMO rates to the El Dorado rates.

23. KPP is indisputably the source of both the favored and the disfavored treatments, thereby satisfying the second prong of the Harborlite test.

24. The cost of transporting AH to LOMO constitutes a major portion of the cost of producing ammonium nitrate, which in turn is a major part of the cost of producing industrial explosives. Furthermore, the profit margins on DNI's operations at LOMO are insufficient to permit DNI simply to absorb the increased transportation expense that KPP's 68% rate increase will impose on DNI. Accordingly, DNI will have no choice but to pass on most or all of those cost increases in the form of increased prices on the products it produces and sells. However, the market for DNI's products is intensely competitive, and in particular, DNI faces strong competition from EDC. If DNI is forced to increase its prices by a greater amount than EDC, which is facing lesser increases in its transportation costs (and no increases until the prescription is lifted), DNI will lose a significant portion of its sales to EDC. In short, the evidence will show that the rate disparity created by KPP's 68% rate increase will cause significant competitive harm to DNI, satisfying the third prong of the Harborlite test.

25. Finally, although the burden is on KPP to show the presence of transportation circumstances justifying the disparity, rather than on DNI to prove their

absence, DNI expects the evidence to show that in fact no justification exists, on a cost or other basis, for the disparity created by KPP's disproportionate increase in DNI's rates.

26. Accordingly, DNI respectfully requests that the Board direct KPP to cure the unreasonable discrimination against DNI by reducing its rates to LOMO to such levels as are demonstrated to be necessary to restore rate parity between El Dorado and LOMO on a cents per ton-mile basis, after adjusting for terminal costs..

Count III -- Rates Exceeding Levels Permitted under CMP

27. DNI expects the evidence to show, and therefore avers, that the increased rates posted by KPP on DNI's AH shipments to LOMO substantially exceed a maximum reasonable level under the "revenue adequacy," "stand alone cost," and/or phasing elements of the CMP standards.

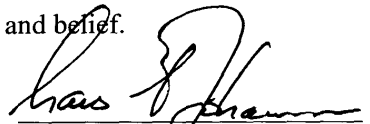
28. DNI requests that the Board prescribe maximum rates to be charged by KPP for shipments of AH from Louisiana origins to LOMO that do not exceed the levels permitted under CMP.

WHEREFORE, DNI respectfully requests that the Board (1) prescribe maximum reasonable rates for DNI's AH shipments to LOMO that are consistent with KPP's commitment to maintain rate parity between DNI and its competitor, EDC; (2) order that when and if the rate parity agreement is deemed to be no longer in effect, KPP continue to maintain that rate parity in order to prevent unreasonable discrimination against DNI; and (3) if and only if the Board concludes that DNI is not entitled to relief under either (1) or (2), prescribe maximum reasonable rates for DNI's AH shipments under CMP. Furthermore, DNI requests that the Board award reparations to DNI for any sums it pays pendente lite that exceed the prescribed levels under (1), (2), or (3), and for such further relief as may be just and reasonable under the circumstances.

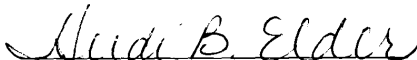
VERIFICATION

STATE OF UTAH)
) ss:
COUNTY OF SALT LAKE)

Lars E. Johansen, being duly sworn, deposes and says that he has read the foregoing Complaint, knows the contents thereof, and that the facts stated therein are true and correct to the best of his knowledge, information, and belief.


[knowledgeable DNI officer]
Vice President

Subscribed and sworn to before me
this 13th day of June, 2003.


Notary Public in and for the State of Utah.



My Commission expires 9/3/05.

Certificate of Service

I hereby certify that I have this 16th day of June, 2003, caused a copy of the foregoing Verified Complaint to be served upon Defendant Kaneb Pipe Line Partners, L.P., by overnight express, addressed as follows:

Kaneb Pipe Line Partners, L.P.
2435 North Central Expressway
Richardson, Texas 75080

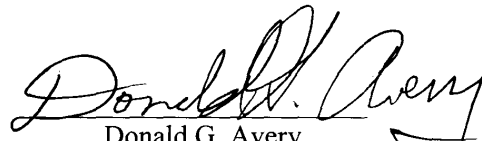

Donald G. Avery

EXHIBIT A



KOCH PIPELINE COMPANY LP

AMMONIA DIVISION

October 25, 2000

Ms. Jeris Johnson
Corporate Sourcing Director
Dyno Nobel, Inc.
11th Floor, Crossroads Tower
Salt Lake City, UT 84144-0103

Re: Rate Reduction to Louisiana, Missouri

Dear Ms. Johnson:

This letter is to confirm the agreement between Koch Pipeline Company, Ammonia Division ("KPL") and DYN0 NOBEL INC. ("Dyno Nobel") regarding the reduction of rates for delivery of anhydrous ammonia under KPL's rate sheet to Louisiana, Missouri.

At Dyno Nobel's request, KPL has agreed to reduce its rates of delivery for anhydrous ammonia through its pipeline system to Louisiana, Missouri, to the rates for such deliveries in effect immediately prior to the 1996 increase. Dyno Nobel made this request to bring these rates into parity with other rates on the pipeline recently reduced pursuant to a decision from the Surface Transportation Board issued on May 3, 2000, in matter STB Docket No. 41685.

In consideration for KPL agreeing to make this reduction and its issuance of a corresponding rate sheet, Dyno Nobel has agreed that it will repay KPL, with applicable interest calculated pursuant to the methodology set out in 49 CFR Part 1141, for the difference between the reduced rates as shown in the attached rate sheet and the higher rates in effect immediately prior to such reduction, if KPL is successful in its appeal of the May 3, 2000 STB decision and the rate roll-back ordered therein is reversed or invalidated, and the reversal or invalidation directly or indirectly results in higher rates for other shippers for the period of this reduction from the rates currently permitted under the May 3, 2000 decision. This obligation of Dyno Nobel to pay the additional charges will cover all shipments to Louisiana, Missouri, made at this reduced rate to the effective date of any higher rates for other shippers as described above. Notwithstanding the foregoing, Dyno Nobel's obligation to repay the additional charges is conditioned upon KPL's other interstate shippers being similarly obligated.

In consideration of the mutual promises of the parties herein made, KPL agrees that if, and only if, KPL is unsuccessful in its appeal of the May 3 STB decision and the rate roll-back ordered therein is

Ms. Jeris Johnson
October 25, 2000
Page 2

affirmed, the two (2) year limitation for the filing of a complaint under 49 U.S.C. 15905(c) for a violation of rate reasonableness under 49 U.S.C. 15501(a) and/or discrimination as to rates only under 49 U.S.C. 15505 shall be tolled from the effective date of this letter agreement to sixty (60) days after the issuance of a final decision on the appeal of the May 3, 2000 STB decision. Except as otherwise set forth herein, this letter shall not limit Dyno Nobel's right to file such complaint or KPL's defense thereto.

If you agree with the above, please sign this letter at the place indicated below and return it to the undersigned.

If you have any questions regarding the above, please feel free to contact the undersigned.

Accepted:

Koch Pipeline Company, L.P.
Ammonia Division

Dyno Nobel Inc.

By: A. L. Botterweck *HE*
Title: PRESIDENT
Date: 10-25-00

By: Daniel A. B. J.
Title: Corporate Officer
Date: 10-26-00

EXHIBIT B

RATES

KOCH PIPELINE COMPANY, L.P.

RATES RELATING TO

ANHYDROUS AMMONIA

SHIPMENTS

The rates herein are the rates in dollars per ton, for the interstate transportation of anhydrous ammonia by pipeline, subject, except as otherwise provided herein, to the Regulations published by KOCH PIPELINE COMPANY, L.P. effective November 1, 2000, and supplements thereto and reissues thereof.

The provisions published herein will, if effective, not result in an effect on the quality of the human environment.

ISSUED: January 29, 2001

EFFECTIVE: February 1, 2001

Issued By:
Anthony L. Botterweck
KOCH PIPELINE COMPANY, L.P.
P.O. Box 2256
Wichita, Kansas 67201

Compiled by:
[W] Kari A. Blankenship
KOCH PIPELINE COMPANY, L.P.
P.O. Box 2256
Wichita, Kansas 67201
[W] (316) 828-7648

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Fortier, Louisiana</u>	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 16.37
	Louisiana	16.37 (1) (2) (3)
	Palmyra	20.00
	<u>Illinois:</u>	
	Wood River	\$ 18.54
	Cowden	21.31
	Trilla	21.76
	<u>Iowa:</u>	
	Fort Madison	\$ 22.80
	Washington	23.44
	Marshalltown	23.82
	Iowa Falls	24.00
	Garner	26.75
	Algona	24.44
	Spencer	24.75
	Holstein	25.00
	<u>Indiana:</u>	
	Terre Haute	\$ 22.25
	Crawfordsville	22.94
	Frankfort	23.37
	Walton	23.75
	Huntington	24.38
	<u>Nebraska:</u>	
	Blair	\$ 27.75
	Fremont	25.44
	David City	25.56
	Aurora	25.95

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Luling, Louisiana</u>	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 16.19
	Louisiana	16.19 (1) (2) (3)
	Palmyra	20.00
	<u>Illinois:</u>	
	Wood River	\$ 18.33
	Cowden	21.06
	Trilla	21.50
	<u>Iowa:</u>	
	Fort Madison	\$ 22.75
	Washington	23.31
	Marshalltown	23.62
	Iowa Falls	23.82
	Garner	26.50
	Algona	24.32
	Spencer	24.49
	Holstein	24.75
	<u>Indiana:</u>	
	Terre Haute	\$ 22.06
	Crawfordsville	22.76
	Frankfort	23.13
	Walton	23.49
	Huntington	24.25
	<u>Nebraska:</u>	
	Blair	\$ 27.75
	Fremont	25.31
	David City	25.44
	Aurora	25.69

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Donaldsonville, Louisiana</u>	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 16.06
	Louisiana	16.06 (1) (2) (3)
	Palmyra	20.00
	<u>Illinois:</u>	
	Wood River	\$ 18.19
	Cowden	20.95
	Trilla	21.31
	<u>Iowa:</u>	
	Fort Madison	\$ 22.50
	Washington	23.00
	Marshalltown	23.44
	Iowa Falls	23.62
	Garner	26.50
	Algona	24.13
	Spencer	24.38
	Holstein	24.49
	<u>Indiana:</u>	
	Terre Haute	\$ 21.94
	Crawfordsville	22.57
	Frankfort	22.94
	Walton	23.37
	Huntington	24.00
	<u>Nebraska:</u>	
	Blair	\$ 27.25
	Fremont	25.19
	David City	25.31
	Aurora	25.51

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Pollock, Louisiana</u>	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 15.82
	Louisiana	15.82 (1) (2) (3)
	Palmyra	19.00
	<u>Illinois:</u>	
	Wood River	\$ 17.91
	Cowden	20.56
	Trilla	21.01
	<u>Iowa:</u>	
	Fort Madison	[D] \$ 22.25
	Washington	22.76
	Marshalltown	23.13
	Iowa Falls	23.37
	Garner	26.00
	Algona	23.75
	Spencer	24.00
	Holstein	24.32
	<u>Indiana:</u>	
	Terre Haute	\$ 21.62
	Crawfordsville	22.25
	Frankfort	22.62
	Walton	23.00
	Huntington	23.62
	<u>Nebraska:</u>	
	Blair	\$ 27.00
	Fremont	24.75
	David City	25.00
	Aurora	25.31

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Sterlington, Louisiana</u>	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 15.56
	Louisiana	15.56 (1) (2) (3)
	Palmyra	19.00
	<u>Illinois:</u>	
	Wood River	\$ 17.62
	Cowden	20.37
	Trilla	20.87
	<u>Iowa:</u>	
	Fort Madison	\$ 22.00
	Washington	22.57
	Marshalltown	22.94
	Iowa Falls	23.13
	Garner	25.75
	Algona	23.49
	Spencer	23.82
	Holstein	24.00
	<u>Indiana:</u>	
	Terre Haute	\$ 21.20
	Crawfordsville	22.01
	Frankfort	22.50
	Walton	22.87
	Huntington	23.44
	<u>Nebraska:</u>	
	Blair	\$ 26.75
	Fremont	24.49
	David City	24.75
	Aurora	25.19

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED AND ARE SUBJECT TO NOTE 195

RATE IN DOLLARS PER TON

FROM	TO	RATE
<u>Taft, Louisiana</u> ⁽³⁾	<u>Arkansas:</u>	
	El Dorado	\$ 6.63
	<u>Missouri:</u>	
	Hermann	\$ 16.16
	Louisiana	16.16 (1) (2)
	Palmyra	20.00
	<u>Illinois:</u>	
	Wood River	\$ 18.30
	Cowden	21.03
	Trilla	21.47
	<u>Iowa:</u>	
	Fort Madison	\$ 22.75
	Washington	23.28
	Marshalltown	23.59
	Iowa Falls	23.79
	Garnier	26.50
	Algona	24.29
	Spencer	24.46
	Holstein	24.72
	<u>Indiana:</u>	
	Terre Haute	\$ 22.03
	Crawfordsville	22.73
	Frankfort	23.10
	Walton	23.46
	Huntington	24.22
	<u>Nebraska:</u>	
	Blair	\$ 27.75
	Fremont	25.28
	David City	25.41
	Aurora	25.66

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

RATE IN DOLLARS PER TON

FROM	TO	RATE	
<u>Farmland-Garner, Iowa</u>	<u>Missouri:</u>		
	Louisiana	\$ 15.56	(1) (2)
	<u>Iowa:</u>		
	Washington	11.00	
	<u>Nebraska:</u>		
	Aurora	12.50	
	David City	12.50	

(1) See Note 142

(2) See Note 190

(3) See Note 195

Note 142

If all of the conditions set forth in this note apply, then Carrier shall charge the rates set forth in this note ("Item 142 rates") to the exclusion of any other rate in this tariff. This provision is available to any shipper meeting all of the terms hereof.

Item 142 rates may apply to shipments from producing plant origins on Carrier's system to industrial plant destinations located on Carrier's system at Louisiana, Missouri. The term "industrial plant" means a plant or facility at which ammonia is upgraded into another product or commodity, or at which ammonia is used as a raw material in the manufacture of another product or commodity. A shipper seeking Item 142 rates must submit a written notice to Carrier stating its intention to ship specific volumes of ammonia at Item 142 rates to a specific industrial plant destination during the twelve-month period commencing with the date of the written notification.

ALL RATES ARE UNCHANGED UNLESS OTHERWISE INDICATED

Item 142 rates are determined by the volumes shipped as follows, provided further that the shipments are for the full requirements at the industrial plant destination for a twelve-month period:

<u>Tons/12 months</u>	<u>Rate/ton</u>
40,000 - 49,999	\$14.00 (3)
50,000 - 74,999	13.75 (3)
75,000 - 99,999	13.50 (3)
100,000 - 124,999	13.00 (3)
125,000 - 129,999	12.75 (3)
130,000 or above	12.50 (3)

Shipments shall be made in approximately equal monthly quantities and scheduled by Carrier. If shipper does not ship the nominated volume during the stated twelve-month period, then Item 142 rates shall not apply and Carrier shall charge the otherwise applicable tariff rates. In such event, the party requesting Item 142 rates shall pay on receipt of invoice the difference between the amount it or its designee(s) actually paid for shipment of ammonia pursuant to this note and the amount determined under the otherwise applicable rate(s) for the volume the shipper or its designee(s) actually shipped from each origin point to the industrial plants during that twelve-month period.

Item 142 rates shall be billed to the shipper requesting service hereunder, or to that shipper's designee. The designee's volume to that industrial plant shall be credited against the volume requirements herein. In any event, the party requesting Item 142 rates shall remain responsible for payment of all charges for service provided by Carrier for that party or its designee. Carrier shall have the right to audit the books and records of the party requesting Item 142 rates or its designee.

The services offered by Carrier under Item 190 of this tariff shall be available to shippers requesting Item 142 rates to Louisiana, Missouri, provided that all of the terms and conditions of Item 190 and this note are met.

Note 190

The rates set forth herein ("Item 190 rates") shall apply to shipments via Algona, Iowa from the origins to the destinations listed below meeting all of the conditions set forth herein.

Origins: Fortier, Luling, Donaldsonville, Pollock, Sterlington and Taft, Louisiana; and Garner, Iowa
Destination: Louisiana, Missouri

Ammonia shipped hereunder shall be shipped only via Carrier's pipeline and received only at the above destination(s), and only when such ammonia is destined for internal consumption at facilities located at the above destination(s).

A shipper requesting Item 190 rates must agree to ship, from any one or a combination of the above origins to any one or a combination of the above destination(s), a minimum of 75,000 tons of ammonia each year for a period of four consecutive years or a total of 300,000 tons of ammonia in a four-year period. The shipper requesting Item 190 rates shall refer in its written notification to its intention to ship ammonia under Item 190 rates. The volume requirements must be shipped commencing with the date of written notification to Carrier by the shipper requesting Item 190 rates. Carrier's otherwise applicable retendering charge shall not apply to service hereunder unless shipper fails to meet the volume requirements set forth herein. Shipper shall, at its sole cost and expense, arrange for receipt, storage, and reinjection of ammonia at Algona, Iowa.

In the event shipper fails to ship the volume requirements set forth herein, then the shipper requesting Item 190 rates shall pay on receipt of invoice the difference between the amount it actually paid for shipment of ammonia hereunder and the tariffs applicable at the time of shipment, for the volume actually

EXHIBIT C

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2002

KANEB PIPE LINE PARTNERS, L.P.

(Exact name of registrant as specified in charter)

Delaware
(State of Incorporation)

001-5083
(Commission File No.)

75-2287571
(I.R.S. Employer
Identification No.)

2435 North Central Expressway
Richardson, Texas 75080
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (972) 699-4062

Item 2. Acquisition or Disposition of Assets.

On November 1, 2002, Kaneb Pipe Line Operating Partnership, L.P., a subsidiary of the Registrant, acquired the anhydrous ammonia pipeline system of Koch Pipeline Company, L.P. ("Koch") for approximately \$140 million in cash.

The acquired Koch ammonia pipeline operation encompasses approximately 2,000 miles of anhydrous ammonia pipeline which runs from the Louisiana Gulf Coast to the upper Midwest states and is the largest fertilizer pipeline in the country.

Item 7. Financial Statements and Exhibits.

Exhibits.

10.1 Press Release, dated November 5, 2002.

10.2 Asset Purchase and Sale Agreement, dated as of September 17, 2002, by and between Koch Pipeline Company, L.P., Koch Fertilizer Storage and Terminal Company and Kaneb Pipe Line Operating Partnership, L.P., filed herewith.

10.3 First Amendment to Asset Purchase and Sale Agreement, dated as of October 31, 2002, by and between Koch Pipeline Company, L.P., Koch Fertilizer Storage and Terminal Company and Kaneb Pipe Line Operating Partnership, L.P., filed herewith.

10.4 Bridge Loan Agreement, dated as of November 1, 2002, by and between Kaneb Operating Partnership, L.P., Kaneb Pipe Line Partners, L.P., the Lenders and SunTrust Bank as Administrative Agent, filed herewith.

10.5 Amendment No. 1 to Revolving Credit Agreement, dated as of July 31, 2002, by and between Kaneb Operating Partnership, L.P., Kaneb Pipe Line Partners, L.P., the Lenders and SunTrust Bank as Administrative Agent, filed herewith.

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10.6 Amendment No. 2 to Revolving Credit Agreement, dated as of October 31, 2002, by and between Kaneb Operating Partnership, L.P., Kaneb Pipe Line Partners, L.P., the Lenders and SunTrust Bank as Administrative Agent, filed herewith.

10.7 Subsidiary Guaranty Agreement, dated as of November 1, 2002, among each of the Subsidiaries, Kaneb Pipe Line Operating Partnership, L.P. and SunTrust Bank, filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KANEB PIPE LINE PARTNERS, L.P.

By: Kaneb Pipe Line Company LLC,
as General Partner

Dated November _____, 2002

-----//s//-----
Howard C. Wadsworth
Vice President, Treasurer and Secretary

For immediate release For more information, contact: Investor Relations (972) 699-4041 Email: investor@kaneb.com

KANEB CLOSES PIPELINE ACQUISITION

DALLAS, TEXAS (November 1, 2002) - Kaneb announced today that its operating subsidiary, Kaneb Pipe Line Operating Partnership, L.P. acquired the anhydrous ammonia pipeline system from Koch Pipeline Company, L.P. for \$140 million. The acquisition was financed with bank debt. The Kaneb Companies are Kaneb Services LLC (NYSE: KSL) and Kaneb Pipe Line Partners, L.P. (NYSE: KPP, "the Partnership"). Kaneb Services LLC's wholly owned subsidiary, Kaneb Pipe Line Company LLC, is the Partnership's General Partner.

The approximately 2,000 mile anhydrous ammonia pipeline system runs from the Louisiana Gulf Coast to the upper Midwest states. It is the largest fertilizer pipeline in the country. The system has connections with three third party owned deep-water import terminals, eleven third party production and fertilizer upgrade facilities and twenty-three third party delivery terminals and has an interconnect in the Midwest with another fertilizer pipeline. The pipeline system has a current delivery capacity of approximately 2.2 million tons of product annually and includes a 1,500 ton underground storage and terminal facility in Missouri.

ABOUT KANEB

KANEB is a single business represented by two separate publicly traded entities on the New York Stock Exchange. KANEB's business is focused on mid-stream energy assets -- refined petroleum product pipelines, and petroleum and specialty liquids storage and terminaling facilities. KANEB is a major transporter of refined petroleum products in the Midwest and is the third largest independent liquids terminaling company in the world. Worldwide operations include 78 facilities in 26 states, the District of Columbia, Canada, the Netherlands Antilles, Australia, New Zealand and the United Kingdom. Its publicly traded entities are Kaneb Services LLC (NYSE: KSL) and Kaneb Pipe Line Partners, L.P., (NYSE: KPP, "the Partnership").

Kaneb Services LLC is a unique limited liability company, the only publicly traded, cash distributing entity taxed as a partnership that owns the general partner interest of another publicly traded master limited partnership. KSL's assets are the KPP general partner interest and 5.1 million KPP partnership units. Through a wholly owned subsidiary, Kaneb Pipe Line Company LLC, KSL manages and operates the KPP pipeline and terminaling assets. Another KSL subsidiary provides wholesale fuel marketing services.

Kaneb Pipe Line Partners, L.P., a master limited partnership, was formed in 1989 to own a 2,075 mile common carrier pipeline system from Kansas to North Dakota that has been managed by Kaneb Pipe Line Company LLC since 1953. Pipeline acquisitions in 1995 and 1998 added 725 miles of pipeline in Colorado, Iowa, South Dakota and Wyoming. The Partnership entered the liquids

terminaling business with a large acquisition in 1993, and has more than tripled the size of this operation through subsequent acquisitions. In 2001, the Partnership completed a \$165 million acquisition of seven West Coast, U.S. terminals. In 2002, the Partnership completed a \$300 million acquisition of two world-class terminaling facilities located in Point Tupper, Nova Scotia, Canada and on the island of St. Eustatius in the Netherlands Antilles and the acquisition of eight bulk liquid storage terminals in Australia and New Zealand. ###

Exhibit 10.2

ASSET PURCHASE AND SALE AGREEMENT

Between

KOCH PIPELINE COMPANY, L.P. ("KPL")

KOCH FERTILIZER STORAGE AND TERMINAL COMPANY ("KFS&T")
(together, "Seller")

and

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., ("Buyer")

Date: September 17, 2002

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4.01 (j)	Violations	4.01 (j)
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ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT ("Agreement") is entered into this 17th day of September, 2002, by and among: A. Koch Pipeline Company, L.P., a Delaware limited partnership, with its principal place of business at 4111 East 37th Street North, Wichita, Kansas 67220 ("KPL"); B. Koch Fertilizer Storage and Terminal Company, a Nebraska corporation, with its principal place of business at 4111 East 37th Street North, Wichita, Kansas 67220 ("KFS&T"); and C. Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership, with its principal place of business at 2435 North Central Expressway, Suite 700, Richardson, Texas 75080 ("Buyer").

KPL and KFS&T are hereinafter collectively referred to as "Seller." Seller and Buyer are hereinafter collectively referred to as the "Parties", and individually as a "Party."

WHEREAS, Seller owns the anhydrous ammonia pipeline system described herein and certain other related assets, facilities and contracts (collectively referred to as the "Assets," as defined in Section 2.02); and

WHEREAS, pursuant to the terms of this Agreement, Seller desires to sell and Buyer desires to purchase the Assets.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein, the Parties agree as follows:

ARTICLE I: DEFINITIONS

1.01 Definitions. As used herein, the following terms have the meanings set forth below:

"Accounting Firm" has the meaning given it in Section 8.01(b).

"Affiliate" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of the definition of "Affiliate," the term "control" (including the correlative terms "controlled by" and "under the common control of"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract, or otherwise.

"Agreement" means this Asset Purchase and Sale Agreement.

"Asset" and "Assets" have the meanings given them in Section 2.02.

"Business" means the business currently being conducted by Seller using the Assets.

"Business Day" means any day, Monday through Friday, on which nationally chartered banks are open for the transaction of business in New York, New York.

"Buyer" has the meaning given it in the Preamble.

"Buyer Indemnitees" means Buyer, its parent companies, Affiliates and subsidiaries, and their respective partners, members, directors, shareholders, officers, employees, agents, representatives, contractors and subcontractors.

"Casualty Loss" has the meaning given it in Section 7.01.

"Closing" has the meaning given it in Section 9.01.

"Closing Amount" has the meaning given it in Section 7.05.

"Closing Date" means the date on which Closing occurs.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" means that certain confidentiality agreement dated March 12, 2002 by and among Kaneb Pipe Line Company and KPL, KFS&T and Koch Nitrogen Company, which to the extent Confidential Information relating to the Assets purchased and sold hereunder or the Business was disclosed pursuant to the Confidentiality Agreement, the obligations of Buyer thereunder shall automatically terminate as of the Closing; provided, however, to the extent Confidential Information relating to assets not purchased and sold hereunder was or is disclosed pursuant to the Confidentiality Agreement, then the Confidentiality Agreement shall remain in full force and effect according to its terms.

"Contracts" has the meaning given it in Section 2.02(f).

"Drop Dead Date" has the meaning given it in Section 14.06(a)(ii).

"Effective Time" has the meaning given it in Section 9.01.

"Employees" has the meaning given it in Section 13.01(a).

"Employment Sites" has the meaning given it in Section 4.01(o)(vii).

"Environmental Condition" means soil and water contamination, or other types of Releases of Hazardous Materials or environmental damage or contamination in, on, around or under the Assets or arising from the Assets, including offsite disposal thereof and any of

which requires Remediation under applicable Environmental Laws.

"Environmental Laws" means any and all Legal Requirements or Orders, rules, codes, policies, directives, standards, licenses or permits of any Governmental Body relating to the environment, specifically including those relating to the exposure to, or the use, Release, emission, presence, storage, treatment, generation, transportation, processing or handling of, Hazardous Materials, in effect as of the Effective Time, including the Safe Drinking Water Act, 42 U.S.C.ss.300f et seq.; the Federal Insecticide, Fungicide & Rodenticide Act, 7 U.S.C.ss.136 et seq.; the Toxic Substances Control Act, 15 U.S.C.ss. 2601 et seq.; the Oil Pollution Act of 1990, 33 U.S.C.ss. 2701 et seq.; the Clean Water Act, 33 U.S.C.ss.1251 et seq.; the Clean Air Act, 42 U.S.C.ss.7401 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C.ss.6901 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.ss. 9601 et seq., and the Emergency Planning and Community Right to Know Act, 42 U.S.C.ss. 11001 et seq., and all similar statutes adopted by the States in which the Assets are located and in effect as of the Effective Time.

"Environmental Liabilities" means Liabilities/Claims (including Remediation costs and legal costs associated therewith) incurred or imposed

(a) as the result of an Environmental Condition, (b) pursuant to an agreement, Order, notice of responsibility or directive arising out of, or in connection with, or under Environmental Laws, or (c) pursuant to a claim by a Governmental Body or other Person for personal injury, property damage, damage to natural resources, Remediation or payment or reimbursement or response costs incurred or expended by such Governmental Body or Person pursuant to common law or statute and related to the use or Release of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" has the meaning given it in Section 2.03.

"Facilities" has the meaning given it in Section 2.02(a).

"Final Recap" has the meaning given it in Section 8.01(a).

"Final Recap Statement" has the meaning given it in Section 8.01(a).

"Governmental Body" means any (a) nation, state, county, city, town, village, district, territory, or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign, or other government; (c) governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); or (d) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitrator or arbitration panel.

"Hazardous Material" means any "hazardous waste", "hazardous substance", "extremely hazardous substance", "toxic chemical", "hazardous chemical", "toxic pollutants", "contaminants", "chemical", "chemical substance", or "asbestos", as such terms are defined in any of the Environmental Laws, or related substances, and petroleum and petroleum products, all in such quantities or concentrations as are regulated by Environmental Laws.

"Hired Employees" means those Employees accepting employment with Buyer effective as of the Effective Date.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnify" means to indemnify, defend and hold harmless.

"Indemnitee" has the meaning given it in Section 10.08.

"Indemnitor" has the meaning given it in Section 10.08.

"Intellectual Property" has the meaning given it in Section 2.02(g).

"Intermittent Services Agreements" has the meaning given it in Section 4.01(p)(iv).

"Known by Seller" or "Seller's Knowledge" means the current actual knowledge of the following employees of Seller applicable to the Assets:

Patrick McCann, Michael Purkey, Ron Simmons, Royce Hoemann, Scott Christensen and Gary Koegeboehn, of such fact or circumstance, without any specific or additional duty to review documents or records or interview other persons to gain any new actual knowledge or to refresh a memory of past knowledge.

"Known Environmental Condition" means an Environmental Condition which occurred prior to the Effective Time, and which is Known by Seller at or prior to Closing, each of which are listed on Schedule 4.01(g).

"KPL" has the meaning given it in the Preamble.

"KFS&T" has the meaning given it in the Preamble.

"Leasehold Interests" has the meaning given it in Section 2.02(c).

"Legal Requirement" means any Order, constitution, law, ordinance, regulation, statute, or treaty issued by any Governmental Body, or any principle of common law or governmental interpretation thereof.

"Liabilities/Claims" means all liabilities, claims, losses, strict liability claims, including those arising under Environmental Laws, demands, lawsuits, judgments, Orders, fines, penalties, damages, punitive damages, expenses, including reasonable attorneys' and consultants' fees, costs, environmental assessment costs, Remediation costs, and causes of action asserted by any Person.

"Monetary Cap" has the meaning given it in Section 10.04.

"Negligence/Fault" means negligence, gross negligence, strict liability and any other type or form of negligence recognized under applicable law, and willful misconduct.

"Net Inventory" means the anhydrous ammonia owned by Seller as linefill or stored by Seller in terminals that are connected to, related to or used in connection with the Facilities, including any pipeline retention allowances and long and short positions with respect thereto for calendar year 2002.

"New Contracts" has the meaning given it in Section 9.02(j).

"Notice" means written notice provided pursuant to Section 14.12.

"Order" means any award, decision, injunction, judgment, decree, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body.

"Party" and "Parties" have the meanings given them in the Preamble.

"Permits" has the meaning given it in Section 2.02(e).

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, unincorporated organization, business, syndicate, sole proprietorship, association, organization, labor union, or other entity or Governmental Body.

"Plans" has the meaning given it in Section 4.01(o)(ii).

"Preliminary Settlement Statement" has the meaning given it in Section 7.05.

"Proceeding" means any action, arbitration, audit, claim, inspection, notice, review, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal), at law or in equity, commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body.

"Property Rights" has the meaning given it in Section 2.02(d).

"Purchase Price" has the meaning given it in Section 3.01(a).

"Real Property" has the meaning given it in Section 2.02(b).

"Records" has the meaning given it in Section 2.02(i).

"Reference Balance Sheet Date" has the meaning given it in Section 4.01(f)(iii).

"Release" or "Released" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping,

leaching, dumping, migrating or disposing (including the abandoning or discarding of barrels, containers and other closed receptacles containing any Hazardous Material) of a Hazardous Material into the environment.

"Remediation" means containment, remediation, clean-up, restoration, removal or monitoring.

"Seller" has the meaning given it in the Preamble.

"Seller Indemnitees" means Seller, its parent companies, Affiliates and subsidiaries, and their respective partners, members, directors, shareholders, officers, employees, agents, representatives, contractors and subcontractors.

"Seller's Accounts Payable" means any debt or trade payable owed by Seller arising in the ordinary course of business from sales or services rendered to Seller prior to the Effective Time in connection with the Business.

"Seller's Accounts Receivable" means any debt or trade payable owing to Seller arising in the ordinary course of business from sales or services rendered by Seller prior to the Effective Time in connection with the Business.

"Seller's Existing Field Authority Limitations" means \$100,000 with respect to capital expenditures; and \$150,000 with respect to expensed expenditures.

"Smart Pig Inspection" means the internal (in-line) pipeline inspection by use of instrumented inspection tool.

"Tax" or "Taxes" means any income, excise, franchise, profits, capital gains, capital stock, transfer, sales, use, occupation, property, payroll, withholding or other taxes or charges, assessments, duties, levies or fees of any kind imposed or collected by any Governmental Body or pursuant to any Legal Requirement, including any penalties, interest, deficiency assessments, additions to taxes or other charges with respect thereto.

"Threshold Amount" has the meaning given it in Section 10.04.

"Title Defect" means any encumbrance, encroachment, irregularity or defect in or objection to title to the Real Property, Leasehold Interests, Permits or Property Rights.

"Unknown Environmental Condition" means an Environmental Condition which occurred prior to the Effective Time, but which is not Known by Seller at or prior to Closing.

"WARN Act" means the Worker Adjustment Retraining Notification Act of 1988, as amended.

1.02 Construction; Interpretation. Unless the context shall require otherwise: (i) words importing the singular number or plural number shall include the plural number and singular number respectively; (ii) words importing the masculine gender shall include the feminine and neuter genders and vice versa; (iii) reference to "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation;" (iv) reference to "to the extent" shall be deemed to be followed by the phrase ", but only to the extent;"

(v) reference in this Agreement to "herein", "hereby", or "hereunder", or any similar formulation, shall be deemed to refer to this Agreement as a whole, including the Exhibits and Schedules referenced herein and attached hereto; (vi) the headings of this Agreement are for reference only and shall not be deemed to form part of the text or be used in the construction or interpretation of this Agreement; and (vii) all references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. This Agreement has been mutually drafted, negotiated and prepared at the mutual request and direction of the Parties, at arm's length, with the advice and participation of counsel. If there is any ambiguity, this Agreement shall not be construed against either Party.

ARTICLE II: SALE OF ASSETS

2.01 Purchase and Sale. Subject to the terms and conditions of this Agreement, Buyer agrees to purchase from Seller and Seller agrees to sell, transfer, assign and convey the Assets to Buyer at the Closing, effective as of the Effective Time.

2.02 Assets. Unless otherwise excluded in this Agreement, the "Assets" shall consist of the following and shall hereafter collectively, in whole or in part, be referred to as the "Assets" or individually as the "Asset":

(a) Pipelines, Pipeline Assets and Other Fixtures. All right, title and interest in and to Seller's Hermann, Missouri terminal and in and to those certain pipelines, and related valves, pumps, compressors and other equipment, vehicles, buildings, building contents, personal property and fixtures relating primarily to Seller's anhydrous ammonia pipeline systems (except for the Excluded Assets), including the items described in Exhibit A (the "Facilities"). To the extent any such property is leased, the leases related thereto are described in Exhibit C, and Seller shall assign its leasehold interest to the extent assignable and will not convey title. To the extent

title to any of the Assets is held by an Affiliate of Seller, Seller shall cause that Affiliate to transfer title directly to Buyer at no additional cost to Buyer;

(b) Real Property. All right, title and interest in and to any parcels of real property owned by Seller or an Affiliate thereof upon which the Facilities are located, together with the improvements thereon (the "Real Property"), including the parcels described in Exhibit B;

(c) Leasehold Interests. All right, title and interest of the lessee in and to leases of real property upon which the Assets are situated and the rights associated therewith relating to ongoing use, operation and maintenance of the Assets (the "Leasehold Interests"), all of which are more particularly described in Exhibit C;

(d) Property Rights. To the extent not listed as a Permit under Exhibit E, all right, title and interest of the beneficiary or right holder in and to those certain easements, rights-of-way, servitudes, permits and/or licenses, railroad crossing rights, and other rights to use of the surface and subsurface and related instruments which are held for use in connection with the ownership, use, operation or maintenance of the Assets, including those items listed in Exhibit D, and which excludes the Real Property, the Permits and the Leasehold Interests (the "Property Rights");

(e) Permits. All right, title and interest of the beneficiary or permit holder in and to any environmental, operational and other governmental permits, licenses, Orders, franchises and related instruments or rights relating to the ownership or operation of the Assets, all of which are listed in Exhibit E ("Permits"), but only to the extent legally assignable or transferable and excluding the Property Rights listed in Exhibit D;

(f) Contracts. Subject to the provisions of Section 14.11, all of Seller's right, title and interest in and to any and all contracts, warranties and other agreements relating exclusively to or which are reasonably necessary for the use of the Assets ("Contracts"), including the Contracts listed in Exhibit F;

(g) Intellectual Property. All intellectual property interests identified on Exhibit G, including all Liabilities/Claims against other Persons for infringement and other proprietary rights associated therewith (the "Intellectual Property");

(h) Inventory. The Net Inventory. Buyer will be responsible for satisfying any pipeline retention allowances and long and short positions and obligations with any third Persons.

(i) Records. All books, records and files of Seller relating to the Assets (paper and electronic format, if available), excluding accounting records, but including operating records, technical manuals and warranty documents, customer lists and information, charts, maps, surveys, drawings, prints and any physical embodiment of the Intellectual Property relating to the Assets (the "Records"); provided, however, that the Records shall not include Seller's and Seller's Affiliates' (A) corporate and partnership records (including any documents relating to the formation or governance of Seller or its Affiliates), (B) information related to previous offers for the Assets, including economic analyses of the Assets, (C) any records to the extent related to the Excluded Assets, and (D) records or other information protected by the attorney-client privilege or that is work product of Seller's counsel or counsel for Seller's partners or their Affiliates, it being agreed that communications seeking or providing legal advice by, between, or among the following persons shall be and are hereby deemed confidential communications subject to the attorney-client privilege: counsel for Seller, or their Affiliates, and any employee or agent of Seller or their Affiliates.

2.03 Excluded Assets. Except as specifically included within the definition of the Assets or otherwise provided for in this Agreement, it is the intent of the Parties that no other assets or interests held or owned by Seller or any related liabilities or obligations shall be sold, conveyed, transferred, or assigned to Buyer, and specifically, the sale, conveyance, transfer, and assignment hereunder shall not include the following (the "Excluded Assets"):

(a) any cash and cash equivalents of Seller;

(b) any logos, emblems, signs, trademarks, trade names, or service marks that are the property of Seller or its Affiliates; provided, however, that signs for location, warning, notice, or as required by law shall remain in place and will be modified or replaced by Buyer to remove Seller's name, logo, or other identifying marks as provided in Section 8.04;

(c) all items of personal property owned or leased generally by Seller currently located at Seller's Wichita, Kansas facility or office, including vehicles, office equipment, furniture, computers, copiers, and fax machines;

(d) all ammonia terminals, truck loading and storage facilities located at, on or adjacent to the Facilities unless specifically listed on Exhibit A;

(e) all items of personal property (including vehicles, office equipment, furniture, computers, copiers, and fax machines) located at or adjacent to the Facilities to the extent listed on Exhibit M;

(f) any software programs and licenses for software which are confidential or proprietary to Seller or its Affiliates, or cannot be transferred without payment of a fee to another Person, owner or vendor; provided, however, that Seller shall use good faith efforts to assist Buyer in arranging for a copy of software that is not transferable without payment of a fee or other right to use such software, provided Buyer pays any fee charged or assessed by the vendor or owner thereof (or other Persons holding the right to license the use of such software); and provided further, that Buyer shall have access to all data which is not confidential or proprietary on Seller's or its operator's systems relating to the Assets for conversion to or storage on Buyer's systems; and

(g) any personal property, software, computers, servers, peripheral computer hardware and communication devices used in, or in connection with, Seller's pipeline control center used to remotely monitor and control the anhydrous ammonia pipeline systems and to ensure the integrity thereof.

2.04 Assumption. As of the Effective Time, Buyer shall assume all rights and obligations arising after the Effective Time under the Leasehold Interests, Property Rights, Permits and Contracts and agrees to Indemnify the Seller Indemnitees from and against all Liabilities/Claims under the Leasehold Interests, Property Rights, Permits and Contracts accruing after the Effective Time; but only in each case if such obligations and Liabilities/Claims do not arise out of or relate to acts or omissions that occurred prior to the Effective Time.

2.05 Seller's Accounts Receivable, Accounts Payable and Settlement Thereof.

(a) Buyer hereby acknowledges that no sale or transfer of the proceeds of Seller's Accounts Receivable is made or contemplated by this Agreement and that Seller is entitled to receive payment of all of Seller's Accounts Receivable out of the payments received by Buyer on account thereof, if any. The Parties shall reasonably cooperate with each other in connection with the collection of Seller's Accounts Receivable.

(b) Buyer is not assuming any of Seller's Accounts Payable. Seller shall be responsible for the payment of Seller's Accounts Payable. Seller and Buyer hereby acknowledge that no transfer or assignment of Seller's Accounts Payable is made or contemplated by this Agreement and that Seller shall remain responsible for all of Seller's Accounts Payable.

(c) Notwithstanding the foregoing provisions of Section 2.05, Seller and Buyer will provide each other with a monthly schedule of reimbursements due to or from one Party as a result of the other Party collecting the former's accounts receivable or payment of accounts payable. Reimbursements will be settled monthly following Closing until both Parties agree that all significant reimbursements have been settled.

ARTICLE III: PURCHASE PRICE

3.01 Purchase Price; Taxes.

(a) Purchase Price. Subject to the terms and conditions of this Agreement, and in full payment for the Assets, Buyer shall pay to Seller at Closing, by wire transfer as described in Section 9.01(b), the sum of One Hundred Forty Million U.S. Dollars (\$140,000,000.00) as such sum may be adjusted as described in Section 3.02 pursuant to the provisions of Section 7.05 (the "Purchase Price").

(b) Taxes. Buyer shall pay all Taxes payable in connection with the consummation of the transactions contemplated by this Agreement and the sale, conveyance and assignment of the Assets hereunder (other than income Taxes resulting directly from such sale, which shall be borne by Seller), including sales and use Taxes; gross receipts Taxes and other similarly imposed transaction Taxes; conveyances, transfer, and recording fees; motor vehicle transfer and excise Taxes and registration fees; and real estate transfer Taxes and documentary stamp Taxes, except for sales, transfer or similar Tax which may be payable with respect to the anhydrous ammonia owned by Seller as Net Inventory, for which Seller shall pay any applicable sales, transfer or similar Tax. Buyer further agrees to prepare and file any necessary Tax returns in connection with the foregoing Taxes (except for sales, transfer or similar Tax which may be payable on the Net Inventory referenced in the preceding sentence) and fees to be borne by Buyer and to pay all filing and recording fees relating to the filing and recording of any instruments delivered by Seller to convey the Assets to Buyer.

3.02 Adjustments to the Purchase Price. The Purchase Price shall be adjusted at Closing as follows.

(a) Upward Adjustments. The Purchase Price shall be adjusted upward by the following:

(i) the amount of expenses, costs, Taxes, and charges incurred or paid by Seller that are attributable to the ownership or operation of the Assets after the Effective Time including, any prepaid lease or other pre-payments, production, excise, severance, gross receipts, federal and state income Tax, franchise Tax and any other Taxes based upon or measured by the ownership of the Assets or the receipt of proceeds therefrom, not deducted or netted from proceeds under Section

EXHIBIT D



KANEB
PIPE LINE
COMPANY



March 10, 2003

Transmittal No. 2

To the Office Of the Secretary
Suite 700
SURFACE TRANSPORTATION BOARD
1925 K. St. N.W.
Washington, D.C. 20423-0001

RE: ANHYDROUS AMMONIA TARIFF FILING NOTICE

The accompanying tariff is being issued by Kaneb Pipe Line Operating Partnership (Kaneb) bearing the following identification:

S.T.B. No. 1, Issued March 10, 2003, Effective April 1, 2003

S.T.B. No. 1 is issued to reflect a general increase of 7% to all interstate tariffs movements on the Ammonia pipeline system. This tariff will eliminate all references and incentive rates previously given to "industrial" shippers of the system and will put them on equal basis with the non-industrial shippers. Old industrial rates were changed to a miles moved based pricing and thus the rates may have either increased or decreased as part of this change. A review of the old rate structures indicated that a couple of other delivery points needed to be adjusted to a miles moved also. Kaneb will establish a minimum tariff rate of \$5.00 per ton for any movement on the system. Kaneb will also revise the capacity allocation policy to follow the changes in pipe size and the allocation base period in order to allocate capacity on a more equitable basis for all shippers and in a manner more closely tracking the actual operation of the pipeline system today.

S.T.B. No. 1 will combine the "Rules and Regulations" and the "Rate" filings into one document for ease of filing and for the convenience of the shippers to have only one document covering movements on the system.

Kaneb has also made the tariff available on our web site www.kanebpipeline.com.

This tariff is issued on a 20 day notice.

I certify that copies of this transmittal page, S.T.B. No. 1 are being mailed concurrently to subscribers of Kaneb's ammonia tariff. An acknowledgment copy is also included with a return self addressed stamped envelope. If you have any questions, please call the undersigned at (316) 773-9000 or fax at (316) 773-9001.

Yours very truly,

Joe Graham
Controller of Kaneb Pipe Line Company
The Sole General Partner of Kaneb Pipe Line Operating Partnership, L.P.

7340 West 21st St. N., Suite 200
Wichita, Kansas 67205
phone 316.773.9000
fax 316.773.9001
www.kanebpipeline.com

L.P.S.C. No. 2
Cancels
LA. P.S.C. No. 1, etal

S.T.B. No. 1
Cancels
S.T.B. Prior Filings

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

LOCAL TARIFFS Applying on **ANHYDROUS AMMONIA** As Defined in Item No. 1 **TRANSPORTED BY PIPELINE** **FROM AND TO POINTS NAMED HEREIN**

The rates named in this Tariff are expressed in dollars per ton and are subject to change as provided by law, also to regulations named herein.

Rates, Rules and Regulations applying on Louisiana Intrastate Traffic issued on Authority No. 24.274-M of the Louisiana Public Service Commission (L.P.S.C.) .

Rates, Rules and Regulations applying on Interstate Traffic issued on authority of the Surface Transportation Board (S.T.B.).

Issued to reflect application of a general 7% tariff increase for all rates. This Tariff will also combine the Louisiana intrastate tariff and the S.T.B interstate "REGULATIONS" and "RATE" filings into one document to insure the "REGULATIONS" are identical and for convenience and ease of use by shippers on the pipeline system. This tariff filing will also eliminate the "industrial user" classification of shippers and move their respective tariffs rates into a "miles moved" basis similar to the other tariffs contained in the tariff (may cause either an increased or decreased rate prior to the application of a general 7% tariff increase). Finally, this tariff filing will redefine the capacity allocation procedure into pipeline segments defined by pipe size. This will facilitate a more equitable capacity allocation for all shippers on the system as the system is used today.

The rates published herein will have no effect on the quality of the human environment.

Issued March 10, 2003	S.T.B. Effective Date:	Effective April 1, 2003
Issued March 10, 2003	LA P.S.C. Effective Date:	April 1, 2003

Issued By
JIMMY L. HARRISON, President

Compiled By
JOSEPH A. GRAHAM, Controller

Kaneb Pipe Line Company
The Sole General Partner of Kaneb Pipe Line Operating Partnership, L.P.
7340 West 21st Street North, Ste 200
Wichita, KS 67205
Phone (316) 773-9000 Fax (316) 773-9001

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ABBREVIATIONS AND REFERENCE MARKS	
S.T.B.	Surface Transportation Board
L.P.S.C.	Louisiana Public Service Commission
No.	Number
[N]	New
[S]	Intrastate rate only
[C]	Cancelled
[D]	Decreased rate
[I]	Increased rate
[M]	Minimum tariff rate
[A]	Adjusted to a mileage moved basis
[W]	Change in wording only from both previous STB and Louisiana tariffs
[W-S]	Change in wording only from previous Louisiana tariff
[W-STB]	Change in wording only from previous STB tariff

TARIFF FILING EXPLANATORY NOTES
Issued to reflect application of a general 7% tariff increase for all rates. This Tariff will also combine the Louisiana intrastate tariff and the S.T.B interstate "REGULATIONS" and "RATE" filings into one document to insure the "REGULATIONS" are identical and for convenience and ease of use by shippers on the pipeline system. This tariff filing will also eliminate the "industrial user" classification of shippers and move their respective tariffs rates into a "miles moved" basis similar to the other tariffs contained in the tariff (may cause either an increased or decreased rate prior to the application of a general 7% tariff increase). Finally, this tariff filing will redefine the capacity allocation procedure into pipeline segments defined by pipe size. This will facilitate a more equitable capacity allocation for all shippers on the system as the system is used today.

[N] ALPHABETICAL LIST OF POINTS FROM AND TO WHICH RATES IN SECTION 2 APPLY			
Points from which rates apply	Item Number	Points to which rates apply	Item Number
Donaldsonville, LA	130	Algona, IA	130
Fortier, LA	130	Aurora, NE	130
Garner, IA	130	Blair, NE	130
Luling, LA	130	Cowden, IL	130
Pollock, LA	130	Crawfordsville, IN	130
Sterlington, LA	130	David City, NE	130
Taft, LA	130	Donaldsonville, LA	130
		El Dorado, AR	130
		Faustina, LA	130
		Fort Madison, IA	130
		Frankfort, IN	130
		Fremont, NE	130
		Garner, IA	130
		Hermann, MO	130
		Holstein, IA	130
		Huntington, IN	130
		Iowa Falls, IA	130
		Louisiana, MO	130
		Marshalltown, IA	130
		Palmyra, MO	130
		Spencer, IA	130
		Taft, LA	130
		Terre Haute, IN	130
		Trilla, IL	130
		Walton, IN	130
		Washington, IA	130
		Wood River, IL	130

**SECTION 1
RULES AND REGULATIONS**

The Kaneb Pipe Line Operating Partnership, L.P. and the other pipeline companies participating in this tariff, hereinafter referred to as "carrier", will receive anhydrous ammonia for transportation under the following conditions:

Item No. 1 Anhydrous Ammonia Defined

The term "ammonia", as used herein, means liquid anhydrous ammonia that meets the specifications issued by the Carrier.

Item No. 5 Ton Defined

A "ton" of ammonia, as used herein, shall mean two thousand (2,000) pounds avoirdupois, and shall be equivalent to three hundred eighty-seven and twelve hundredths (387.12) U.S. gallons at sixty degrees Fahrenheit (60° F.) and equilibrium vapor pressure.

Item No. 10 Carrier Defined

Carrier shall mean Kaneb Pipe Line Operating Partnership, L.P.

Item No. 15 Shipper Defined

Shipper shall mean the party who contracts with Carrier for the transportation of ammonia under the terms of this tariff.

[W-S] Item No. 20 Contract Year

Removed in its entirety from the previous L.P.S.C. filing.

[W-S] Item No. 21 Contract Period

Removed in its entirety from the previous L.P.S.C. filing.

Item No. 25 Ammonia Acceptance Specifications

Ammonia shall be accepted for transportation, and ammonia shall be delivered by Carrier at destination, only when such ammonia meets all required specifications:

Temperature:	Not less than 35° F., nor more than 85° F.
Ammonia (NH ₃) Content:	99.5% minimum by weight
Water Content:	0.2% minimum by weight
Oil Content by Weight:	5 parts per million maximum
Inerts:	0.5cc per gram maximum

When requested, shipper shall furnish Carrier with a document setting forth the specifications of each daily shipment of ammonia delivered into Carrier's pipeline. Shipper shall indemnify and save Carrier harmless from any loss sustained by other shippers or by Carrier by reason of contamination or damage to other ammonia in Carrier's custody or by reason of damage to Carrier's pipeline or other facilities caused by failure of the materials accepted for transportation to be ammonia as prescribed in this item. Carrier may sample and test any such shipment prior to acceptance or during receipt, and in the event of variance between shipper's document and Carrier's test, the latter shall prevail.

[W-S] Item No. 30 Pipeline Contracts

Removed in its entirety from the previous L.P.S.C. filing.

Item No. 35 Measurement

Product shall be measured by Carrier on receipt and delivery. Observed volume at operating pressure and temperature shall be converted to weight by using the factors obtained in Carrier's Gauge Manual.

[W-S] Item No. 37 Loss Allowance

Carrier will deduct three-tenths of one percent (0.3%) from all injections each day as a loss allowance. Adjustment will be made to shipper on an annual basis within 45 days following December 31 of each year based on an over/short report prepared by Carrier. Losses will be adjusted to the actual amount but not to exceed 0.3% loss.

Item No. 40 Acceptance Free From Liens and Charges

The Carrier shall have the right to reject any ammonia when tendered for shipment which may be involved in litigation or the title of which may be in dispute or which may be encumbered by lien or charge of any kind and it may require of the consignor proof of his perfect and unencumbered title or a satisfactory indemnity bond.

[W] Item No. 45 Duty of Carrier

Carrier shall, subject to Item No. 65 and Item No. 67, transport to destination the quantity of ammonia accepted for transportation.

Item No. 50 Identity of Shipment

Carrier will not maintain identity of ammonia but will deliver from its common stream.

[W-S] Item No. 55 Day Defined

A "day" as used herein shall mean the twenty-four (24) hours between 8:00 a.m. of the present day and 8:00 a.m. of the following day.

[W-S] Item No. 60 Calendar Week Defined

The "calendar week" as used herein shall mean the one hundred sixty-eight (168) hours between 8:00 a.m. Monday and 8:00 a.m. the following Monday.

Item No. 65 Scheduling of Shipments

Ammonia shall be accepted for transportation at such time and in such quantities as scheduled by Carrier. Such schedules may be modified from time to time in the manner and to the extent reasonably desirable to facilitate and to reasonably accommodate consignor's need for transportation.

Item No. 67 Pipeline Allocation Procedure

[W] Set forth below are the two types of pipeline allocation procedures for volumes when they apply:

[W] 1.(a) During periods when the pipeline is constrained by its own physical capacity, allocation is based on the shippers' prior calendar year shipping history. If a shipper, for example, has moved 50% of all tons through a pipeline segment during the prior year, that shipper has gained the right to 50% of all tons moved through such segment each day allocation remains necessary. In the event that all capacity is not required during a period of allocation, unused capacity will be distributed in a non-discriminatory manner based on the prior year shipping history to all other shippers requesting same.

[W] (b) The pipeline is broken down into the following segments (defined by pipe size) for purposes of allocation: Louisiana Gulf Coast 6" laterals downstream of Donaldsonville Jct, LA; Donaldsonville Jct., LA to Marksville Jct.; Marksville Jct. To Hermann, MO.; Hermann, MO. to Spencer, IA; Spencer, IA to Aurora, NE.; Hermann, MO. to Terre Haute, IN.; and Terre Haute, IN. to Huntington, IN. Retenders downstream from one segment to the next are included in figuring shipping history.

(c) Any injector who creates incremental capacity within any respective line segment has the right to utilize 100% of the created incremental capacity so long as it does not hinder Carrier's ability to move non-incremental volumes and satisfy its customers and/or operational needs.

[W] (d) Prior period "Industrial" accounts will be allotted their 2002 calendar year shipping history in the capacity allocation base in such a way as to maintain their 2002 volumes. Allocations after 2003 will be as described in Item No. 67, 1(a), 1(b) and 1(c).

[W-S] 2. During periods when the pipeline is not constrained by its own physical capacity, shipments on Carrier's pipeline are allocated based upon the capacity of terminals to receive anhydrous ammonia at the various destination points. For example, if a terminal destination receives 5% of the total shipments able to be received by terminals off the pipeline each day, that terminal will be given 5% of the pipeline shipments. All details as to the amount of each terminal's storage space that is to be received by each storage customer at the various terminals will be decided solely by the respective terminals and their respective storage customers. Carrier will not participate in making such determinations.

Item No. 70 Facilities Required at Origin

Product shall be accepted by Carrier only when shipper or its designee has provided facilities for delivery of product into Carrier's system at pressures and flow rates required by Carrier. There shall be a meter station at each point of origin which shall be equipped with facilities necessary to determine accurately the quantity of ammonia delivered to Carrier. Each meter station at each point of origin shall be provided and operated by the shipper or its designee, except that the Carrier shall have access to each such meter station at all reasonable times and shall be responsible for the maintenance and calibration of the meter. Meter stations shall be built to the specifications of the Carrier.

Pumps at points of origin shall be built to the specification of the Carrier and shall be maintained and operated according to instructions of the Carrier. All other facilities associated with connection with the Carrier's pipeline, including storage tanks, surge tanks, pumps, associated piping, and valves at origin shall be provided by the shipper or its designee and subject to the inspection and approval of the Carrier, which approval shall not be unreasonably withheld.

[I] [W-S] Item No. 75 Facilities Required at Destination

There shall be a meter station at each point of destination which shall be equipped with facilities necessary to determine accurately the quantity of ammonia delivered at destination. The Carrier will provide and operate meter stations at outlets at points of destination. For metering service at points of destination there is a charge of [I] twenty cents (\$0.20) per ton of ammonia. A shipper may, at its option, pay a nonrecurring charge of [I] twenty thousand dollars (\$20,000.00) for the use of a destination point, and in that event, no charge for metering service will be made to that shipper in respect of ammonia delivered at that point.

All other facilities associated with the Carrier's pipeline, including storage tanks, surge tanks, associated piping, and valves at destination shall be provided by the shipper or its designee and subject to the inspection and approval of the Carrier, which approval shall not be unreasonably withheld. Ammonia will be accepted for transportation only when the Carrier has ascertained from the shipper that the shipper or its designee has adequate facilities at destination which are available for receipt of shipment as it arrives without delay.

[W-S] Item No. 80 Schedule

Any shipper may tender a designated quantity of ammonia to be transported during a designated month between points on Carrier's system. Such tenders shall be delivered to the Carrier prior to the 25th day of the month preceding the designated month. Carrier shall notify shipper of its ability to transport the tender quantity during the designated month on or before the

first day of that designated month. If there is insufficient capacity available to ship all quantities specified by such tenders, the Carrier will prorate the capacity available on an equitable basis among the shippers making such tenders.

Any quantity of ammonia transported pursuant to this Item, during a designated month or other period, shall be delivered to the Carrier for transportation in approximately equal daily quantities.

Any shipper wishing to utilize capacity other than as specified herein may make a tender designating the quantity of ammonia sought to be shipped, the points of origin and destination, the desired period of shipment and other requirements of the movement. The Carrier will accommodate any such shipper to the extent it is able to do so, having regard for the rights of other shippers and the economic utilization of the Carrier's facilities.

Item No. 90 Retendering of Product

The following procedure will be observed for product delivered to the final destination:

Upon written notice by the shipper as specified in Item 80, product may be retendered from locations (if equipped and agreed upon by shipper or its designee) named in various pipeline tariffs for a period not to exceed twelve (12) months after the initial receipt of that product at that destination.

On product reshipped from a destination to a revised final destination pursuant to this Item 90: (1) there is a retendering charge of fifty cents (\$0.50) per ton for each ton of ammonia retendered by a shipper to the Carrier pursuant to this item; (2) the rate to be collected for the reshipped product shall be the rate from origin to revised final destination, as in effect on the date of actual retendering, minus the rate paid for service from original point of shipment of that product to the initial destination, plus meter charge (if applicable) at revised final destination; (3) back-haul from original destination to revised final destination will be permitted without any additional charge (other than the \$0.50 covered in (1) of this paragraph).

Shipper may retender a quantity of ammonia at the destination point so long as there is sufficient transportation capacity, including pumping, metering, and other associated facilities, to accommodate such tendered ammonia at the time it is sought to be tendered. Product which has originally been shipped past the pipeline J-1 pump station located near Hermann, Missouri, or original origin, shall not be allowed a back-haul past that point.

Not more than one stop for retendered product shall be authorized.

Item No. 95 Payment of Carrier Charges

Carrier will invoice Shipper for transportation charges and Shipper shall pay all transportation and other lawful charges accruing on Product delivered to and accepted by Carrier for shipment. If required, Shipper shall pay the same before delivery at destination. All charges shall be paid by Shipper within ten (10) days of the date of invoice from Carrier. All payments by Shipper to Carrier shall be made by Automated Clearing House (ACH) debit initiated by Carrier on or before the due date of invoice. All charges that remain unpaid for more than thirty (30) days from the date of Carrier's invoice shall accrue an interest charge of the lesser of (i) eighteen (18%) percent per annum, or (ii) the maximum non-usurious interest rate which may then be charged under applicable law.

[W] If charges remain unpaid for 45 days past Carrier's invoice then the Carrier shall have the right, after five (5) days' written notice to Shipper, to refuse receipts of any product into Carrier's pipeline for future delivery and Carrier reserves the right to off-set any such charges against any monies owed by Shippers product inventory in Carrier's custody.

[W-S] Item No. 100 Transportation Credits

Removed in it's entirety from the previous L.P.S.C. filing.

[W-S] Item No. 102 Special Service Contract

Removed in it's entirety from the previous L.P.S.C. filing.

[W] Item No. 105 Liability of Carrier

The Carrier's custody of ammonia begins when ammonia passes the block valve downstream from the shipper's pump station at a point of origin and ends when ammonia passes the block valve downstream from the Carrier's meter station at a point of destination.

The Carrier will not be liable to a shipper for any loss, vandalism, delay, discoloration, contamination, or deterioration that is caused by a breach of the warranty described in Item 25, negligence or other fault on the part of such shipper, or by act of God or public enemy, quarantine, authority of law, governmental requirement or restriction, strike, lockout, labor difficulty, injunction, riot, fire, explosion, flood, accident, breakage of machinery or apparatus, inability to obtain fuel, power, raw materials or storage, or any other cause beyond the Carrier's control, whether or not similar to the foregoing causes, and any such loss, delay, or damage shall be equitably apportioned among shippers.

Item No. 110 Failure to Take Delivery

In the event that a shipper or its designee fails to take delivery as required, the Carrier shall have the right, upon notice to the shipper to refuse to accept tenders at points of origin and to divert, reassign, or make whatever arrangements for disposition of the undelivered ammonia as the Carrier deems appropriate to clear the pipeline, including the right to sell such product at private sales for the best price obtainable. The Carrier may be a purchaser at any such sale. Out of the proceeds of any such sale, the Carrier may pay itself all transportation and other lawful charges and expenses of sale. The balance shall be held for whomever may be lawfully entitled thereto. If the proceeds from the sale are not sufficient to pay all transportation and other lawful charges and expenses of sale, the shipper shall remain liable to the Carrier for the balance. The Carrier's refusal to accept tenders at points of origin as a result of failure of shipper or its designee to take delivery shall not in any way relieve shipper of any commitment for the purchase of transportation and other services.

[W] Item No. 115 Claim, Time For Filing

Claim for any delay, damage to, or loss of ammonia must be made in writing to the Carrier within six (6) months after delivery from the Carrier's facilities of the shipment involved at the destination to which such shipment was consigned, or in case of failure by Carrier to deliver, then within six (6) months after the date upon which delivery would have reasonably been completed by the Carrier. Such written claim as aforesaid shall be condition precedent to any suit.

[W-STB] Item No. 120 Explanation of Abbreviations and References Marks

Moved to page 2 in this filing.

[C] Item No. 120 Rate Section 1 – Industrial Service Rates

Cancelled in it's entirety from the previous L.P.S.C. filing.

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SECTION 2

[I] ALL RATES ON THIS PAGE ARE INCREASES UNLESS OTHERWISE NOTED
ALL RATES ON THIS PAGE ARE INTERSTATE UNLESS OTHERWISE NOTED

LOCAL RATES for the TRANSPORTATION OF ANHYDROUS AMMONIA (as defined in Item No. 1) BY PIPELINE All Rates in Dollars per Ton The rates contained in this section apply only via the lines of the Kaneb Pipe Line Operating Partnership, L.P.	
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[W] Item No. 130.							
FROM							
TO	Fortier, LA	Luling, LA	Donaldsonville, LA	Pollock, LA	Sterlington, LA		
[A] El Dorado, AR	8.04	7.86	7.30	[D] [M] 5.00	[D] [M] 5.00		
Hermann, MO	17.52	17.32	17.18	16.93	16.65		
[A] Louisiana, MO	21.04	21.02	21.01	20.02	19.99		
Palmyra, MO	21.40	21.40	21.40	20.33	20.33		
Wood River, IL	19.84	19.61	19.46	19.16	18.85		
Cowden, IL	22.80	22.53	22.42	22.00	21.80		
Trilla, IL	23.28	23.00	22.80	22.48	22.33		
Fort Madison, IA	24.40	24.34	24.08	23.81	23.54		
Washington, IA	25.08	24.94	24.61	24.35	24.15		
Marshalltown, IA	25.49	25.27	25.08	24.75	24.55		
Iowa Falls, IA	25.68	25.49	25.27	25.01	24.75		
Garner, IA	28.62	28.36	28.36	27.82	27.55		
Algona, IA	26.15	26.02	25.82	25.41	25.13		
Spencer, IA	26.48	26.20	26.09	25.68	25.49		
Holstein, IA	26.75	26.48	26.20	26.02	25.68		
Terre Haute, IN	23.81	23.60	23.48	23.13	22.68		
Crawfordsville, IN	24.55	24.35	24.15	23.81	23.55		
Frankfort, IN	25.01	24.75	24.55	24.20	24.08		
Walton, IN	25.41	25.13	25.01	24.61	24.47		
Huntington, IN	26.09	25.95	25.68	25.27	25.08		
[A] Blair, NE	[D] 27.17	[D] 27.02	[D] 26.87	[D] 26.43	[D] 26.14		
Fremont, NE	27.22	27.08	26.95	26.48	26.20		
David City, NE	27.35	27.22	27.08	26.75	26.48		
Aurora, NE	27.77	27.49	27.30	27.08	26.95		
Faustina, LA	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70		
Donaldsonville, LA	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70		
Taft, LA	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70	[S] 10.70		

SECTION 2 (Cont)

[W] Item No. 110 (cont).					
FROM					
TO		Taft, LA	Garner, IA		
[A] El Dorado, AR		7.77	----		
Hermann, MO		17.29	----		
Louisiana, MO	[A]	21.02	24.11		
Palmyra, MO		21.40	----		
Wood River, IL		19.58	----		
Cowden, IL		22.50	----		
Trilla, IL		22.97	----		
Fort Madison, IA		24.34	----		
Washington, IA		24.91	11.77		
Marshalltown, IA		25.24	----		
Iowa Falls, IA		25.46	----		
Garner, IA		28.36	----		
Algona, IA		25.99	----		
Spencer, IA		26.17	----		
Holstein, IA		26.45	----		
Terre Haute, IN		23.57	----		
Crawfordsville, IN		24.32	----		
Frankfort, IN		24.72	----		
Walton, IN		25.10	----		
Huntington, IN		25.92	----		
[A] Blair, NE	[D]	26.99	----		
Fremont, NE		27.05	10.70		
David City, NE		27.19	13.38		
Aurora, NE		27.46	[A] 16.51		
Faustina, LA	[S]	10.70			
Donaldsville, LA	[S]	10.70			
Taft, LA	[S]	10.70			

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KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

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SYSTEM MAP -AMMONIA PIPELINE DIVISION

EXHIBIT E

EC

Ex Parte 358-F
LATE RELEASE
SERVICE DATE

INTERSTATE COMMERCE COMMISSION

FEB 21 1980

EX PARTE NO. 358-F

CHANGE OF POLICY, RAILROAD CONTRACT RATES

Decided February 21, 1980

This statement is issued as a clarification and amplification of our prior statements served November 9, 1978 and April 10, 1979 in Ex Parte No. 358-F. In those prior statements, we expressed our view that rates established in contracts between rail carriers and shippers are not unlawful per se under the Interstate Commerce Act and that in certain circumstances such rates should be encouraged.

In several subsequent cases in which carriers proposed rate changes, however, we declined to consider claims by shippers that the change was in excess of 1/ previously executed contracts with the shippers. Instead, we determined the reasonableness of the changes under ordinary standards and stated that disputes concerning the existence and legal significance of alleged contracts should be resolved by the courts. We also expressed the view that the alleged contracts in those

1/ Docket No. 36970, Annual Volume Rates on Coal-Wyoming to Flint Creek, Arkansas and consolidated cases (decisions served May 3, 1979 and May 25, 1979); and Docket No. I & S 9199, Unit Train Rates on Coal-Burlington Northern, Inc., and consolidated cases (decision served July 13, 1979).

cases were not legally binding because they were entered into before we issued our policy statement in Ex Parte No. 358-F. We have determined that reconsideration of our treatment of alleged contracts in those cases, which are currently pending before the Commission on petitions for administrative review, is warranted.

In order to implement our views in Ex Parte No. 358-F, we have concluded that it is appropriate, in cases in which rate changes are proposed, for the Commission to consider claims by shippers that the rate change is in excess of a contract between the carrier and the shipper. We believe that it may also be appropriate in some cases in which we find the shippers' claims to have merit, to suspend the rate change and/or ultimately to find that the filing of the change is unreasonable and unlawful and to prescribe a rate that conforms to the contract.

Our conclusions are based on both legal and policy considerations. As a legal matter, in cases in which a carrier files a rate change that is approved by the Commission but that is in violation of the carrier's contract with a shipper, we believe that courts are without legal authority to provide shippers with a meaningful remedy for the breach of contract. Thus, it is well settled that courts may not award damages to shippers that would have the effect of reducing their transportation charges below the rate on file with the Commission. See, e.g. Montana-Dakota Co. v. Northwestern Public Service Co., 341 U.S. 246, 251 (1951); Georgia v. Pennsylvania R. Co., 324 U.S. 439, 453 (1945);

Lowden v. Simonds-Shields-Lonedale Grain Co., 306 U.S. 516, 520 (1939); Farley Terminal Co., Inc. v. Atchison, T. & S.F. Ry. Co., 522 F.2d 1095, 1098 (9th Cir. 1975). It is also well established that a court has no power to suspend or enjoin the effectiveness of a rate on file with the Commission. See, e.g., Seaboard Allied Milling Corp. v. Southern Ry. Co., 99 S. Ct. 2388 (1979); United States v. SCRAP, 412 U.S. 669 (1973); Arrow Transportation Co. v. Southern Ry., 372 U.S. 658 (1963). The principle of those cases would also preclude courts from ordering a carrier to file a superceding tariff with the Commission in accordance with its contract because such an order would have the same effect as suspending a rate on file with the Commission. In light of these authorities, the Commission has concluded that if it declines to give any consideration to contracts between shippers and carriers when assessing the reasonableness of a rate increase, shippers would be without an effective remedy and the result would significantly undermine the Commission's policy in Ex Parte No. 358-F.

The foregoing legal considerations are reinforced by considerations of sound regulatory and transportation policy. Consideration of the weight to be given to contracts by the Commission rather than by many different federal and state courts will ensure national uniformity in the standards to be applied to rate matters, which is a fundamental purpose of the Interstate Commerce Act. See United States v. Radio Corporation of America, 358 U.S. 334, 346-348 (1959); Texas and Pacific R. Co. v. Abilene Cotton Oil Co., 204 U.S. 426, 440 (1907). Such consideration by the Commission facilitates implementation of federal transportation and regulatory policies in a

consistent manner.

Accordingly, the Commission will now consider rate contract allegations when raised in Commission proceedings. In regard to contracts entered into after issuance of the Commission's November 9, 1978 policy statement in Ex Parte No. 358-F, we will view the existence of such a contract as creating a presumption that a proposed rate change in excess of the contract rate is unreasonable in violation of the Interstate Commerce Act. However, there may be unusual and compelling circumstances which would rebut this presumption and warrant our upholding a rate change in excess of a contract rate. For example, the Commission might determine that a contract rate should not be enforced if it failed to contribute to the going concern value of the carrier as required by 49 U.S.C. 10701(b) or is likely to imperil the carrier's ability to provide essential rail service to the public. Cf. FPC v. Sierra Pacific Power Co., 350 U.S. 348, 355 (1956).

The Commission intends shortly to institute a rule-making that will propose several specific substantive and procedural requirements for contract rates and will propose to define more precisely the types of circumstances that might warrant Commission approval of a rate change that departs from the one agreed to in a valid contract. In the meantime, pending more specific rules, carriers and shippers should assume that the Commission will give recognition

to contractual agreements concerning rates, in the absence of compelling circumstances indicating that enforcement of the agreed rate would be detrimental to the public interest.

The Commission has further concluded that the fact that particular agreements were negotiated prior to the issuance of its 1978 Ex Parte No. 358-F policy statement, is not an appropriate reason for giving them no consideration. It is true that the lawfulness of such contracts was somewhat uncertain when the parties entered into them, although in our 1978 policy statement we concluded that they had never been unlawful per se. In any event, as we noted in the subsequently decided cases (see note 1, supra), permitting a carrier to file rate increases in excess of its contract with a shipper may often result in substantial hardship and unfairness to the shipper, particularly if the shipper made substantial capital expenditures in reasonable reliance on the agreed upon rates. Accordingly, the Commission will consider whether, or to what extent, to enforce such pre-Ex Parte 358-F contracts on a case-by-case basis in determining whether a proposed rate increase is unreasonable under the Act. Such alleged contracts will be considered and will be given great weight if the shipper demonstrates (1) that the parties intended to be legally bound by the agreement; (2) that the shipper reasonably relied on the contract to its substantial detriment (e.g. by making large capital investments that it would not otherwise have made); and (3) that public interest considerations warrant holding the carrier to the

agreement. In sum, with respect to agreements entered into before our 1978 policy statement, the Commission will weigh the alleged agreement, together with all other factors bearing on the reasonableness of the proposed rate. Consideration of these factors may lead us to prescribe or approve a rate within a range from the contract rate to the maximum reasonable rate that would apply in the absence of a contract.

By the Commission, Chairman Gaskins, Vice Chairman Gresham, Commissioners Stafford, Clapp, Trantum, and Alexis.

Commissioner Alexis was absent and did not participate.

AGATHA L. MERGENOVICH
Secretary

(SEAL)