5.09 IMBALANCES

A transportation customer must monitor the amount of gas delivered to the Company's system from any upstream pipeline less fuel reimbursement and its usage of gas at its premises. If necessary, a customer must make adjustments to maintain a balance between gas received to the Company's system less fuel reimbursement and its usage.

The Company may monitor customer usage through telemetered, electronic measurement equipment at the end use delivery site or otherwise. Imbalances between volumes received at an interconnect point by the Company from the upstream pipeline less fuel reimbursement and actual usage will be treated as provided in this section.

DAILY IMBALANCES

The Company will allow ± 5% of a customer's volumes delivered from upstream pipelines as a daily imbalance tolerance window. In the event a customer's imbalance contributes to an aggregate imbalance that would 1) require the Company to take action to maintain system integrity, or 2) reasonably be expected to force the Company to materially alter its prior day’s planned level of a) gas purchases, b) Company production, or c) storage injections or withdrawals, then the Company may, for the period that such conditions are reasonably expected to continue, require customers or nominating parties to adjust deliveries or usage, and/or to suspend all or a portion of the daily imbalance tolerance window. A customer or nominating party may adjust deliveries by directing a change in nominations, alter usage, or utilize park-and-loan or other services offered by the appropriate upstream pipeline.

The Company will provide notice of such restriction, to each affected nominating party not less than two hours prior to the last~~first~~ nomination deadline for the affected period or as soon as reasonably practicable, to the extent system integrity or upstream allocations allow. If other than written notice is initially provided, then subsequent written notice will provide the time of contact and the person contacted. Restrictions may be applied on a system-wide basis, a nominating-party-by-nominating-party basis, a customer-by-customer basis, or a geographic area basis, as circumstances reasonably require.

Notices of balancing restrictions will be provided to each affected nominating party and will include reasonable specificity regarding:

(1) The duration and nature of the balancing restrictions imposed;
(2) The events or circumstances that require the restrictions;
(3) The type of imbalances that may be subjected to penalties; and
(4) Actions that the customer or nominating party can take to avoid penalties.

If, after notice provided as above, a customer or nominating party fails to comply with balancing restrictions reasonably imposed by the Company, a balancing penalty of the greater of $1.00/Dth or the absolute value of the difference between the monthly market index price and the gas daily market index price as defined in the glossaryfor the upstream pipeline from which the deliveries were made or were to be made, plus $0.25/Dth, except under conditions of force majeure, will be charged for those imbalances that adversely affect the system.

~~Customers or nominating parties may exchange or aggregate imbalances in order to avoid or mitigate penalties. Penalties that are not totally avoided by exchange or aggregation shall be borne by the customer or prorated among the customers as directed by the nominating party. If no direction is received, the Company will assign the imbalance to each of the nominating party's accounts on a pro-rata basis for all such accounts that are contributing to the imbalance that adversely affect the system on the tenth business day following the last day of the notice.~~

The Company reserves the right to take any action reasonably necessary to restrict deliveries or usage in order to maintain a balanced distribution system, when required for system integrity. A balancing penalty of up to $25/Dth may be imposed in cases where a nominating party or customer has repeatedly ignored, after written notice, the Company's reasonable balancing restrictions. There is no daily imbalance tolerance during periods of interruption.

MONTHLY IMBALANCES

The Company shall allow a ± 5% monthly imbalance tolerance window. The monthly imbalance tolerance window will be calculated by multiplying the sum of the volumes received at an interconnect point by the Company on a customer's behalf by ± 5%.

To remedy imbalances outside the ± 5% monthly imbalancing tolerance window, the Company will permit customers to trade imbalances with other customers.

For customers choosing to participate in an open trading system and signing a trading agreement, the Company will make their imbalance information available to other participating customers. The information will be available on the Company's web site. Customers shall have the ability after gas day one of the following month to trade imbalances with other customers to reduce or eliminate imbalances. All contractual arrangements, exchange of consideration, documentation, and imbalance pricing will be the responsibility of the trading partners.

Once customers have agreed to trade their imbalances, each trading partner must notify the Company as required in the trading agreement. This notice to the Company will be deemed to be the Customer's direction to Company to make the imbalance trade on the Customer's account. If the trading partner's notices coincide, the Company will adjust customer's accounts to reflect the imbalance trade. When notices do not coincide, imbalances will not be considered traded. The Company will not be liable for any losses suffered by a customer if the trading partners are unable to finalize their trade after the Company has been notified of the trade and adjusted the Customer's accounts. The Company shall not be liable for any losses incurred by a customer if an imbalance trade is not noticed by both trading partners.

After the closing of the previous month, an additional 15-day period will be allowed for customers to bring any remaining imbalance within the ± 5% tolerance window through nomination or imbalance trading. If the Company does not have final reported imbalance data on the Company's web site available to customers on the first day of the following month, an additional day will be allowed for each day the information is delayed. Nothing in this section is meant to prevent customers from taking make up actions sooner; however, the customer shall give prior notice to the

Company of the actions being taken to remedy the imbalance to allow the Company to schedule its operations. The Company reserves the right to limit a customer's nominations or usage when necessary to protect the integrity of the system. Any remaining imbalance may be cashed out in the following manner:

(1) Positive imbalances may be purchased by the Company for the lesser of the transportation market index price, as explained below, or the commodity cost component of the Company GS rate schedule listed in the Article 2, each less $1.00/Dth. The transportation market index price and the GS commodity cost component may, at the Company's discretion, be the price associated with the month in which the imbalance occurred or the month following the month in which the imbalance occurred.

(2) Negative imbalances may be sold to the customer for $1.00/Dth plus the greater of the transportation market index price or the GS commodity cost component listed in Article 2. The transportation market index price and the GS commodity cost component may, at the Company's discretion, be the price associated with the month in which the imbalance occurred or either of the two months following the month in which the imbalance occurred.

TRANSPORTATION MARKET INDEX PRICE

The transportation market index price is used in the imbalance cash out provisions outlined above. It is a monthly price relevant to the location of each customer's deliveries into the Company's distribution system and based on first-of-the-month index prices published by Platts Energy Trader. The pricing is as follows: (1) deliveries made north of the Company's Indianola gate station—Questar Pipeline index price; (2) deliveries at or downstream of Indianola—Southern California Gas Company index price; and (3) deliveries in Grand and San Juan counties—Northwest Pipeline (Rocky Mountains) index price.

In the event that the first-of-the-month index prices listed above are unavailable from Platts Energy Trader, the Company will determine a transportation market index price using a similar index, publication, or comparable methodology.

IMBALANCES REMAINING AT CONTRACT TERMINATION

If a customer terminates transportation service, any supply imbalances will be treated as if they were month-end imbalances. Imbalances will be treated as outlined above. The ± 5% monthly tolerance window shall not apply and customers must eliminate all imbalances. The Company is not responsible to facilitate an "imbalance trading" opportunity for customers due to contract termination; however, such customers may participate in the "imbalance trading" process after service termination for a 15-day period.