

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 08/01/03

LEAF: 177
REVISION: 0
SUPERSEDING REVISION:

**SERVICE CLASSIFICATION NO. 11
LOAD AGGREGATION (CONTINUED)**

SECURITY INSTRUMENTS: (continued)

- G. other mutually acceptable means of providing or establishing adequate security (e.g., escrow accounts).
2. If the rating of a bank or insurance company or other financial institutions from whom a Marketer/Direct Customer has obtained a letter of credit or surety bond falls below an "A" rating, the Marketer/Direct Customer shall have 5 calendar days to obtain a substitute letter of credit or surety bond from an "A" rated bank or insurance company or other financial institution.
3. If the Marketer/Direct Customer's credit standing ceases to meet the Company's credit requirements or if its financial exposure changes due to increased usage during the period of service, the Company has the right to require security or prepayment as specified in this Service Classification. The Company however, may not request additional security unless the total credit exposure from all commodities increases by at least 10%, or \$250,000. If the security is not tendered within 5 calendar days after such request, the Company may initiate a process to discontinue Supplier Select service to the Marketer/Direct Customer in accordance with this Service Classification.
4. If the Marketer/Direct Customer subsequently satisfies the credit appraisal without the need for some or all of the security requirement, or if the Company determines that its total credit risk from all commodities has decreased by at least 10% or \$250,000, the Company shall return the appropriate portion of any Marketer/Direct Customer's advance cash deposit within 5 calendar days of such determination. Advance cash deposits will be returned with accumulated interest.

LOCKBOX:

1. An alternative security mechanism for Marketers only (not Direct Customers) will be available in the form of a "lock-box" for any of the security requirements specified in this Service Classification. A lockbox will reduce any security requirements to 50% of what would otherwise be required.
2. Under the lockbox, a Marketer's customers' payments will be made to a lockbox, which will be administered by a mutually agreed upon entity.
3. All costs associated with implementing and administering the lockbox will be the responsibility of the Marketer.
4. The allocation of funds in the lockbox between the Company and the Marketer, and other administrative rules, must be agreed upon by both parties, with the Company having first rights on funds in the lockbox to off-set Company charges. The administrative rules will specify the terms under which the lockbox mechanism will be terminated for non-compliance.
5. The Company, after petition to the PSC, is permitted to terminate the lockbox and request full security if expected customer payments for Company charges are not received in a timely manner.

Issued By: William F. Edwards, President, Syracuse, New York