

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

LEAF: 228
REVISION: 0
SUPERSEDING REVISION:

SERVICE CLASSIFICATION NO. 14
GAS TRANSPORTATION SERVICE FOR DUAL FUEL ELECTRIC GENERATORS (CONTINUED)

SPECIAL PROVISIONS: (continued)

13. Security:

A. Obligation to Provide Security:

The Company may require a deposit as set forth in **GENERAL INFORMATION** Rule No. 2.4.2.1 of this Tariff. If a customer taking service under this Service Classification does not have a minimum "BBB" rating from Standard and Poors or Fitch coupled with 24 months of good payment history with the Company, the following security requirements should apply.

Customer shall provide and maintain firm security satisfactory in form and content to Niagara Mohawk, in the form of cash or a Letter of Credit, in an amount sufficient to guarantee payment for sixty (60) days of service under this Service Classification, including the provisions identified in Special Provisions - Price and Payment. If there is a change in the charges assessed under this Service Classification or service that would change the amount to be covered by such security, customer will be required to adjust the amount of security within thirty (30) Days.

B. Requirements of Letter of Credit :

In the event customer elects to post firm security in the form of a Letter of Credit:

1. Letter of credit shall mean an irrevocable Letter of Credit issued by a financial institution selected by customer and acceptable to Niagara Mohawk, which financial institution shall have at least an A rating;
2. Customer shall be responsible for maintaining a Letter of Credit in full force and effect during the entire term of this Service Agreement and replacing any such Letter that is to expire with a new one no later than thirty (30) Days prior to the date of expiration of the previous Letter of Credit.
3. The sole drawing conditions under the Letter of Credit shall be the delivery to the Issuer, with a copy to customer, of a certificate signed by a duly authorized officer of Niagara Mohawk, certifying that (i) the Service Agreement has been terminated (ii) customer has failed to deliver to Niagara Mohawk a Letter of Credit or replacement Letter of Credit in accordance with the immediately preceding Special Provisions - Security Subparagraph B, or (iii) customer has failed to make payment to Niagara Mohawk for transportation services under this Service Classification and is in arrears by thirty (30) Days or more. The amount of the Letter of Credit Niagara Mohawk draws down will represent Niagara Mohawk's estimation of damages from termination, the full amount required to replace an expiring Letter of Credit, or customer's actual arrearage to date, as the case may be. Multiple draw downs will be permitted up to the full value of the Letter of Credit.

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