

PSC No: 17 - Gas
Rochester Gas and Electric Corporation
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GENERAL INFORMATION

PART II - RULES AND REGULATIONS

2. HOW TO OBTAIN SERVICE (Cont'd)

A. QUALIFICATION AND APPLICATION (Cont'd)

(4) **Creditworthiness**

The following provisions apply to Distribution Customers selling gas to Retail Customers, and to Retail Customers procuring their own gas supplies (Direct Customers). These provisions do not apply in circumstances involving credit risks of any applicable Independent System Operator, any Power Exchange or wholesale energy suppliers (except to the extent associated with gas load balancing and settlement performed by the Distribution Provider).

Under the circumstances specified hereinafter, the Distribution Customer's or Direct Customer's participation in the Distribution Provider's retail access program is contingent upon the Distribution Customer or Direct Customer satisfying a credit appraisal based on independent bond/credit ratings and supplying any security that may be found necessary to meet the Distribution Provider's credit requirements. Credit appraisals and security requirements will be reviewed by the Distribution Provider annually, at a minimum. Qualified Distribution Customers and Direct Customers shall promptly advise the Distribution Provider of any material change in business or financial condition.

- (a) A Distribution Customer or Direct Customer can satisfy the Distribution Provider's criteria for unsecured credit by having a minimum rating of "BBB" from Standard and Poors (S&P), "Baa2" from Moody's, or "BBB" from Fitch ("Minimum Rating"); or posting security in an acceptable form as listed in Rule 2.A.(5). The Distribution Provider will be able to require a Distribution Customer, or Direct Customer having the Minimum Rating to post security:
 - (i) For the amount by which the Distribution Provider's Credit Exposure for any Distribution Customer or Direct Customer exceeds 5% of the Distribution Provider's applicable revenues for the applicable time period (e.g., 30 days of gas revenues for gas balancing); or
 - (ii) For the full amount of the Credit Exposure if the Distribution Customer or Direct Customer or its guarantor is at the Minimum Rating and is placed on credit watch with negative implications by any of the three designated rating agencies or the Distribution Provider receives information that indicates that the Distribution Customer's or Direct Customer's or its guarantor's credit rating could be downgraded below the Minimum Rating (which security requirement will be lifted if the Distribution Customer's or Direct Customer's or its guarantor's credit rating is not downgraded during the ensuing sixty (60) days), or the Distribution Customer's or Direct Customer's status as a Billing Agency is terminated by another New York utility for failing to render timely bills to Customers or to make timely payments to the utility.

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