

PSC No: 17 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: June 1, 2003

Leaf No. 26
Revision: 0
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GENERAL INFORMATION

PART II - RULES AND REGULATIONS

2. HOW TO OBTAIN SERVICE (Cont'd)

A. QUALIFICATION AND APPLICATION (Cont'd)

(5) Security (Cont'd)

- (b) The maximum security associated with natural gas balancing and settlement risk will be determined for each season. The Distribution Customer or Direct Customer may at its option, elect to have the security determined annually, rather than seasonally in which case it will be based on the Winter season. This credit exposure may be no more than as determined by:
 - (i) The maximum daily quantity (MDQ) of a Distribution Customer's projected aggregated consumption, based on the appropriate season of the past year;
 - (ii) Priced at the highest month's average daily closing NYMEX price at the Henry Hub, plus upstream capacity charges to the Citygate for the appropriate season of the past year; and
 - (iii) Multiplied by thirty (30) days.

Upon notification by the Distribution Provider that a Distribution Customer or Direct Customer has failed to satisfy the credit requirements or, subsequently, while providing service to Retail Customers, no longer satisfies the credit requirements, such Distribution Customer or Direct Customer may still obtain or retain credit approval from the Distribution Provider if it pays any outstanding balance due to the Distribution Provider for services rendered and elects to provide one of the following, as mutually agreed by the parties:

- (a) An advance deposit or prepayment;
- (b) A standby irrevocable letter of credit issued by a bank, insurance company or other financial institution with at least an "A" bond rating;
- (c) A security interest in collateral found to be satisfactory by the Distribution Provider;
- (d) A guarantee, acceptable to the Distribution Provider, by another party with a satisfactory credit rating of at least "BBB" by S&P, "Baa2" by Moodys or "BBB" by Fitch;
- (e) An Alternative Security Mechanism (lockbox) as described in 2.A.(7);
- (f) A surety bond from an insurance company or other financial institution with at least an "A" bond rating; or
- (g) Other mutually acceptable means of providing or establishing adequate security.

If the rating of a bank, insurance company or other financial institution from whom a Distribution Customer, or Direct Customer has obtained a letter of credit or surety bond falls below an "A" rating, the Distribution Customer or Direct Customer shall have five (5) calendar days to obtain a substitute letter of credit or surety bond from an "A" rated institution, or furnish an alternative form of security as described above.

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