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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 2
INITIAL EFFECTIVE DATE: 08/29/02 SUPERSEDING REVISION: 1
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SERVICE CLASSIFICATION NO. 11
LOAD AGGREGATION (continued)

Calling on Security

1. The Company may call upon security posted by a Marketer/Direct Customer after providing 5 days* notice to the Marketer/Direct Customer whenever the Marketer/Direct Customer fails to pay Company charges when due, unless the Marketer/Direct Customer makes payment in full within the 5-day notice period.
2. The Company may call upon the security posted by a Marketer/Direct Customer without prior notice if the Marketer/Direct Customer files a petition in bankruptcy (or equivalent, including the filing of an involuntary petition in bankruptcy against the Marketer/Direct Customer); or, in the case of a Marketer, if for any reason the Marketer ceases to provide service to its customers under the Company*s Supplier Select Program.

Marketer Deposits and Prepayments

1. Marketers are required to provide evidence of creditworthiness to the Company before they will be allowed to request prepayments or security deposits from residential and small commercial customers participating in the Gas Supplier Select Program. Residential customers are defined as those Supplier Select customers taking service under Service Classification No. 1 and Service Classification No. 2 with a residential revenue classification. Small commercial customers are defined as those Supplier Select customers taking service under Service Classification No. 2 with a commercial revenue classification. The evidence of creditworthiness provided under this rule will be separate and apart from that provided by a Marketer to become an eligible Marketer in Niagara Mohawk*s service territory.
 - a. Marketers will be allowed to accept prepayments from customers if they, or a parent company, if the parent agrees to act as guarantor for the Marketer, submit the required evidence of a minimum bond rating of "BBB" from S&P or Fitch, or a "Baa2" from Moody*s by August 1 of each year.
 - b. Marketers will be allowed to accept deposits from customers if they, or a parent company, if the parent agrees to act as guarantor for the Marketer, submit the required evidence of a minimum bond rating as set forth in Rule 1a above, or an escrow account, or letter of credit from an "A" rated financial institution.

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