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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0
INITIAL EFFECTIVE DATE: 06/01/99 SUPERSEDING REVISION:
STAMPS: Issued in compliance with Order in Case 98-M-1343 dated 02/16/99
Cancelled by 1 Rev. Leaf No. 182.5 Effective 10/01/1999
RECEIVED: 05/26/99 STATUS: Cancelled EFFECTIVE: 06/01/99

SERVICE CLASSIFICATION NO. 12 (Cont'd.)**CREDITWORTHINESS: (Cont'd.)**Acceptable Forms of Financial Security (Cont'd.)

Cash deposits or advance payments, if acceptable to the Company, may be provided in lieu of the financial instruments identified above. Cash deposits shall accrue interest at the "Other Customer Contributed Capital" rate prescribed by the Commission.

An alternative security mechanism for Sellers shall be available in the form of a "lockbox" procedure whereby a Seller's customers' payments are made to a lockbox administered by a mutually agreed upon entity. All costs associated with implementing and administering the lockbox will be the responsibility of the Seller. Funds deposited in the lockbox are used first to pay amounts due to the Company by the Seller. The lockbox agreement between the Company and the Seller shall specify the terms under which the lockbox mechanism shall be terminated for non-compliance. If expected customer payments are not received in a timely manner, the Company, after petition to the Commission, shall terminate the lockbox and request full security from the Seller as identified herein. The use of a lockbox mechanism will reduce any security requirements to 50% of what would otherwise be required.

Changes in Creditworthiness

A Seller must immediately notify the Company in writing of changes that would affect its creditworthiness or the creditworthiness of the entity providing a guarantee. Examples of such changes include, but are not limited to, changes in S&P's, Moody's, Fitch or D&B credit rating, merger, acquisition or spin-off, change in licensing or registration, or other changes that affect the Seller's ability to meet the creditworthiness requirements of this Service Classification. The Company may request additional information from the Seller if it believes that the Seller's creditworthiness has materially changed. A Seller's failure to comply with such a request for additional information may result in the termination of its eligibility to take service hereunder.

If the Seller's credit standing ceases to meet the credit requirements identified herein or if its financial exposure changes by more than 10% due to increased or decreased sales volume, the Company may request additional security or reduce existing security requirements as appropriate. If additional security required is not provided to the Company within 5 business days from the date of notification to the Seller, the Seller's eligibility to take service hereunder will be terminated subject to the Dispute Resolution procedures.

If the Company's credit risk is decreased by 10% or more relative to the amount of security on deposit, the excess shall be refunded to the Seller with accumulated interest, if any, within 5 business days of such determination.

Issued By: **R. Lee Haney, Chief Financial Officer, Pearl River, New York**
(Name of Officer, Title, Address)