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COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 0
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STAMPS:
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GENERAL INFORMATION

22. CREDITWORTHINESS: (CONT'D)

D. Security Instruments (Cont'd)

- (5) If the Marketer/Pool Operator/Aggregation Pool Operator /Direct Customer subsequently satisfies the credit appraisal without the need for some or all of the security requirement, the Company will return the appropriate portion of the Marketer/Pool Operator/Aggregation Pool Operator Direct Customer's advance deposit with accumulated interest.

E. Direct Procurement of Energy Supplies

- (1) These creditworthiness standards shall be waived for a Direct Customer, provided that the Direct Customer's account(s) are current and have been maintained current for twelve (12) months, and provided that the Direct Customer's long-term unsecured debt securities are, and remain, rated a minimum of BBB, Baa2, of BBB by S&P's, Moody's or Fitch, respectively. If the Direct Customer's debt is not rated, its account(s) with the Company must be current, and it must have a good payment history with the Company for the past 24 months.

F. Lockbox Mechanism

- (1) An alternative mechanism for Marketers/Pool Operators/Aggregation Pool Operators shall be available in the form of a "lockbox" for any of the security requirements specified above. A lockbox will reduce any security requirements to 50% of what would otherwise be required.
- (2) Under the lockbox, a Marketer/Pool Operator/Aggregation Pool Operator customers' payments will be made to a lockbox, which will be administered by a mutually agreed upon entity.
- (3) All costs associated with implementing and administering the lockbox will be the responsibility of the Marketer/Pool Operator/Aggregation Pool Operator.
- (4) The allocation of funds in the lockbox between the Company and the Marketer/Pool Operator/Aggregation Pool Operator, and other administrative rules, must be agreed to by both parties, with the Company having first rights on funds in the lockbox to off-set Company charges. The administrative rules shall specify the terms under which the lockbox mechanism shall be terminated for non-compliance.

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