

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 08/01/03

LEAF: 176
REVISION: 0
SUPERSEDING REVISION:

**SERVICE CLASSIFICATION NO. 11
LOAD AGGREGATION (CONTINUED)**

CREDIT EXPOSURE/SECURITY CALCULATION: (continued)

2. The maximum security associated with natural gas balancing and settlement risk will be determined for each season. The seasons are defined as Summer (April 1 - October 31) and Winter (November 1 - March 31). This credit exposure may be no more than as determined by:
 - A. the maximum daily quantity (MDQ) of a Marketer's customers' projected aggregate consumption (or Direct Customer's projected consumption), based on the appropriate season of the past year; priced at the highest month's average daily closing NYMEX price, at the Henry Hub, plus upstream capacity charges to the city gate, for the appropriate season of the past year; times 30 days. For example, 100 DT x \$2.00/DT x 30 days;
 - B. The Marketer 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. If the previous season or the past season does not exist, a Load Study provided by the Marketer and agreed to by the Company will be used to calculate the Marketer's Customers maximum daily quantities. A Marketer/Direct Customer's security requirements will be updated on a regular basis, and at least annually, by the Company.

SECURITY INSTRUMENTS:

1. Upon notification by the Company that the Marketer/Direct Customer has failed to satisfy the credit requirements or, subsequently, while participating in the Supplier Select Program, no longer satisfies the credit requirements, such Marketer/Direct Customer may still obtain or retain credit approval from the Company if it pays any outstanding balance due the Company for services rendered and elects to provide one of the following, as mutually agreed by the Marketer/Direct Customer and the Company:
 - A. prepayment or an advance cash deposit, which will accumulate interest at the applicable rate per annum approved by the PSC in the "Other Customer Capital Rate", as may be revised by the PSC;
 - B. a stand-by 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 to the Company;
 - D. a guarantee, acceptable to the Company, by another party or entity with a satisfactory credit rating of at least "BBB" by S&P or Fitch or "Baa2" by Moody's.
 - E. a lockbox mechanism as described in this Service Classification below (not applicable for Direct Customers);
 - F. a surety bond from a bank, insurance company or other financial institution with at least an "A" bond rating; or

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