

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

Leaf No. 27
Revision: 0
Superseding Revision:

GENERAL INFORMATION

PART II - RULES AND REGULATIONS

2. HOW TO OBTAIN SERVICE (Cont'd)

A. QUALIFICATION AND APPLICATION (Cont'd)

(5) **Security (Cont'd)**

If at any time the Distribution Provider's financial exposure to a secured Distribution Customer or Direct Customer exceeds the amount for which the Distribution Customer or Direct Customer is qualified by the lesser of ten percent (10%) or \$50,000, the Distribution Provider will request immediate payment, additional security or a combination of the two, in an amount corresponding to the Distribution Provider's increased exposure, and may call upon security as specified in Rule 2.A.(7). Requests for Retail Customer enrollments and addition of service points to Balance Control Accounts will not be honored until such time as additional security or payment is provided. If additional security or payment is not provided within five (5) calendar days, then the Distribution Provider shall commence discontinuance of service to the Distribution Customer or Direct Customer in accordance with Rule 6.B.

Interest will accrue on cash deposits at the PSC's Other Customer Capital Rate and will be paid out annually as a credit to the account of the Distribution Customer or Direct Customer. In the event a Distribution Customer or Direct Customer subsequently satisfies credit requirements without the need for some or all of the security requirement provided, or if the Distribution Provider's credit exposure to the Distribution Customer or Direct Customer is determined to decrease by ten percent (10%) or \$50,000, the excess shall be refunded with accumulated interest if applicable, within five (5) calendar days of such determination.

(6) **Alternative Security Mechanism (Lockbox)**

An alternative security mechanism for Distribution Customers shall be available in the form of a lockbox. The security requirement for Distribution Customers operating under a Lockbox Agreement shall be fifty percent (50%) of that otherwise required, as calculated in Rule 2.A.5. To establish a lockbox security arrangement, the Distribution Customer and the Distribution Provider shall enter into an agreement (the "Lockbox Agreement"), granting the Distribution Provider a first priority perfected security interest in the Distribution Customer's accounts receivable from all of its Retail Customers located within the Distribution Provider's franchise area, and providing for the establishment and maintenance of a Lockbox Account, to be owned by the Distribution Customer, at a financial institution acceptable to the Distribution Provider.

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Rochester New York