

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: June 1, 2003
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Leaf No. 17
Revision: 0
Superseding Revision:

GENERAL INFORMATION

2. HOW TO OBTAIN SERVICE (Cont'd)

A. APPLICATION OF SERVICE (Cont'd)

(3) Retail Access Service (Cont'd)

(b) Security (Cont'd)

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 Marketer. In the event a Marketer subsequently satisfies credit requirements without the need for some or all of the security requirement provided, or if the Company's credit exposure to the Marketer 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.

(c) Alternative Security Mechanism (Lockbox)

An alternative security mechanism for Marketers shall be available in the form of a lockbox. The security requirement for Marketers operating under a Lockbox Agreement shall be fifty percent (50%) of that otherwise required, as calculated in Rule 2.A(3)(b) above. To establish a lockbox security arrangement, the Marketer and the Company shall enter into an agreement (the "Lockbox Agreement"), granting the Company a first priority perfected security interest in the Marketer's accounts receivable from all of its Customers located within the Company's franchise area, and providing for the establishment and maintenance of a Lockbox Account, to be owned by the Marketer, at a financial institution acceptable to the Company. The Lockbox Agreement shall further provide:

- (i) That all payments made by Customers, located within the Company's franchise area, for gas service by the Marketer, shall be remitted to and deposited in the Lockbox Account;
- (ii) That payments deposited in the Lockbox Account shall clear and become available funds after a specified period of time following their deposit into the Lockbox Account;
- (iii) That the Marketer's service agreements with its Customers shall expressly require that such Customers shall remit their payments for service to that Lockbox Account, and that the Marketer shall not amend its service agreement with any Customer, in any way affecting the terms of payment by such Customer, without the prior express written consent of the Marketer;

(Continued on next leaf)

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