

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: June 1, 2003
Effective:

Leaf No. 16
Revision: 0
Superseding Revision:

GENERAL INFORMATION

2. HOW TO OBTAIN SERVICE (Cont'd)

A. APPLICATION FOR SERVICE (Cont'd)

(3) Retail Access Service (Cont'd)

(b) Security

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). 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. This credit exposure may be no more than as determined by:

- (aa) The maximum daily quantity (MDQ) of a Marketer's Customer's projected aggregated consumption, based on the appropriate season of the past year;
- (bb) Priced at the highest month's average daily closing NYMEX price at the Henry Hub, plus upstream capacity charges to the Citygate for the appropriate season of the past year; and
- (cc) Multiplied by thirty (30) days.

Upon notification by the Company that a Marketer or Direct Customer has failed to satisfy the credit requirements or, subsequently, while providing service to Customers, no longer satisfies the credit requirements, such Marketer or Direct Customer may still obtain or retain credit approval from the Company if it pays any outstanding balance due to the Company for services rendered and elects to provide one of the following, as mutually agreed by the parties:

- (i) An advance deposit or prepayment;
- (ii) A standby irrevocable letter of credit issued by a bank, insurance company or other financial institution with at least an "A" bond rating;
- (iii) Security interest in collateral found to be satisfactory by the Company;
- (iv) A guarantee, acceptable to the Company, by another party with a satisfactory credit rating of at least "BBB" by S&P, "Baa2" by Moody's or "BBB" by Fitch;
- (v) An Alternative Security Mechanism (lockbox) as described in 2.A.(3)(c);
- (vi) A surety bond from an insurance company or other financial institution with at least an "A" bond rating; or
- (vii) Other mutually acceptable means of providing or establishing adequate security.

If the rating of a bank, insurance company or other financial institution from whom a Marketer or Direct Customer has obtained a letter of credit or surety bond falls below an "A" rating, the Marketer or Direct Customer shall have five (5) calendar days to obtain a substitute letter of credit or surety bond from an "A" rated institution, or furnish an alternative form of security as described above.

If at any time the Marketer's or Direct Customer's credit standing ceases to meet the Company's credit requirements or if its financial exposure changes due to increased usage during the period of service, the Company has the right to require security or prepayment as specified herein. The Company, however, may not request additional security unless the credit exposure increases by at least ten percent (10%) or \$50,000. If the security is not tendered within five (5) calendar days after such request, then the Company shall commence discontinuance of service to the Marketer in accordance with Rule 5.I.

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