

PSC No: 20 - Electricity
Rochester Gas and Electric Corporation
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GENERAL INFORMATION

PART II - RULES AND REGULATIONS

2. HOW TO OBTAIN SERVICE (Cont'd)

A. QUALIFICATION AND APPLICATION (Cont'd)

(6) 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 Distribution Customer. In the event a Distribution 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 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.

(7) 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.6. 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.

The Lockbox Agreement shall further provide:

- (a) That all payments made by Retail Customers, located within the Distribution Provider's Control Area, for electric service by the Distribution Customer, shall be remitted to and deposited in the Lockbox Account;
- (b) 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;
- (c) That the Distribution Customer's service agreements with its Retail Customers shall expressly require that such Retail Customers shall remit their payments for electric service to that Lockbox Account, and that the Distribution Customer shall not amend its service agreement with any Retail Customer, in any way affecting the terms of payment by such Retail Customer, without the prior express written consent of the Distribution Provider;
- (d) That the depository bank shall perform a daily accounting and allocation of all funds deposited in the Lockbox Account, as follows: all funds deposited shall be allocated first to pay all amounts payable by the Distribution Customer to the Distribution Provider under the terms of this Tariff, including but not limited to charges for Distribution Service. Additional funds deposited into the Lockbox Account, if any, shall be allocated to a Distribution Customer Account.

(Continued on next leaf)

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