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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 1
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41. RETAIL ACCESS PROGRAM (Cont'd)

O. CREDITWORTHINESS (Cont'd)

(e) Retail Customers Procuring Their Own Energy (Direct Customers)

The aforementioned creditworthiness standards will be waived for a customer procuring its own energy, provided that such customer's accounts are current and have been maintained current for 12 months, and provided that the customer's long-term unsecured debt securities are, and remain, rated a minimum of BBB, Baa2 or BBB by S&P's Moody's or Fitch, respectively. If the customer's debt is not rated, its account with Central Hudson must be current, and it must not have a poor payment history with Central Hudson for the past 24 months.

(f) Lockbox Mechanism

A mitigating security mechanism for Retail Suppliers will be available in the form of a "Lockbox" for any of the security requirements specified above. A Lockbox will reduce any security requirements to 50% of what would otherwise be required. Under the Lockbox, a Retail Supplier's customers' payments will be made to a Lockbox, which will be administered by a mutually agreed upon entity. All costs associated with implementing and administering the Lockbox will be the responsibility of the Retail Supplier. The allocation of funds in the Lockbox between Central Hudson and the Retail Supplier, and other administrative rules, must be agreed to by both parties, with Central Hudson having first rights on funds in the Lockbox to off-set utility charges. The administrative rules will specify the terms under which the Lockbox mechanism will be terminated for non-compliance. Central Hudson, after petition to the Commission, is permitted to terminate the Lockbox and request full security if expected customer payments are not received in a timely manner.

(g) Calling on Security

Central Hudson may call upon the security posted by a Retail Supplier/Direct Customer after providing five (5) calendar days' notice to the Retail Supplier/Direct Customer whenever the Retail Supplier/Direct Customer fails to pay Central Hudson on a timely basis, unless the Retail Supplier/Direct Customer makes payment in full within the notice period.

Issued by: Arthur R. Upright, Senior Vice President, Poughkeepsie, New York