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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 0
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41. RETAIL ACCESS PROGRAM (Cont'd)

O. CREDITWORTHINESS (Cont'd)

(d) Security Instruments (Cont'd)

5. a Lockbox mechanism as described in Section (f) below (not applicable for Direct Customers);
6. a surety bond from a bank, insurance company or other financial institution with at least an "A" bond rating; or,
7. other mutually acceptable means of providing or establishing adequate security (e.g., escrow accounts, loss pooling, etc.).

If the rating of a bank or insurance company or other financial institution from whom a Retail Supplier/Direct Customer has obtained a letter of credit or surety bond falls below an "A" rating, the Retail Supplier/Direct Customer will have five (5) calendar days to obtain a substitute letter of credit or surety bond from an "A" rated bank or insurance company or other financial institution.

If the Retail Supplier/Direct Customer's credit standing ceases to meet Central Hudson's credit requirements or if its financial exposure changes due to increased usage during the period of service, then Central Hudson has the right to require security or prepayment as specified herein. Central Hudson, however, may not request additional security unless the credit exposure increases by at least 10%, or a reasonable Company specified threshold. If the security is not tendered within five (5) calendar days after such request, then Central Hudson may initiate a process to terminate retail access participation by the Retail Supplier/Direct Customer. Deposits received in cash will accumulate interest at the applicable rate per annum approved by the New York State Public Service Commission for Other Customer Capital. If the Retail Supplier/Direct Customer subsequently satisfies the credit appraisal without the need for some or all of the security requirement, Central Hudson will return the appropriate portion of the Retail Supplier/Direct Customer's advance deposit with accumulated interest. Similarly, if Central Hudson's credit risk is determined to decrease by at least 10%, or a reasonable utility specified threshold, relative to the amount of security on deposit, the excess will be refunded with accumulated interest within five (5) calendar days of such determination.

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